



LANDOWNER'S OPTIONS

Safeguarding Iowa's natural resources for the future

Published by the Iowa Natural Heritage Foundation

TABLE OF CONTENTS

Getting Started	2
Land Donation	5
Bequest	6
Reserved Life Estate	7
Other Donation Options	8
Bargain Sale	9
Fair Market Sale	10
Other Sales Options	11
Conservation Easement Basics	12
Other Ownership Option	15
Tax Issues / Income Taxes	16
Iowa Tax Credit for Charitable Conservation Contribution of Land	18
Capital Gains Taxes / Estate & Inheritance Taxes / Property Taxes	20
Cautions	21
Tax Case Study	22
Estate Planning	24
Land Protection Myths	25
Stewardship / History & Archeology	26
Tips to a Successful Land Estate Planning	27
Glossary	28
Potential Conservation Partners	29

GETTING STARTED

For many Iowans, the land they own is almost “part of the family,” with its own distinct personality, foibles and subtle charms: that annoying wet spot in the south field, those little flowers that grace the timber each spring, the way sunrise gilds the upper pasture during chores.

Curse it, nurse it, fight it, love it—for years or generations—until letting that land go is like watching a child leave the nest. Will it be cared for? Will it be appreciated and understood? Will all our work, our values, our legacy be continued?

Many families find peace in passing on the land to like-minded relatives or neighbors. Others, lacking an obvious choice, wonder if there is an alternative. There is.

This booklet contains a “toolbox” of methods for permanently protecting your land. You can shape its future. And there are people ready to help you.

ASKING “WHY”

Many landowners first explore conservation because of a threat, such as damage to neighboring properties. Even if your initial motivation is avoiding a negative, identifying your positive motivations for conservation is the first step in choosing the best option for you and your land. These are motivations we’ve heard from other landowners:

- **Personal:** Many landowners say they are protecting their land because “it just feels right.” Others mention “peace of mind,” “responsibility to future generations” and “responsibility to the Creator.” Sometimes it’s a personal memory or value: “I learned to love nature by playing in these woods and I want future kids to have that experience.”
- **Environmental:** Protecting land also protects air and water quality, wildlife habitat, rare native species, scenic views and other conservation resources. But landowners are more likely to call it “the creek where I caught my first fish” or “our prairie remnant.”
- **Historic/cultural:** Some sites contain remnants of ancient cultures, recent Native American tribes or early farm life. Like natural resources, these historic resources are unique legacies for future generations. A half-hour of bulldozer work, and they are gone forever.
- **Family:** Many Iowa families value their long tradition of good land stewardship: “My dad and my dad’s dad always said that a good farm has good wildlife habitat, and I want to carry on that legacy.” Conservation protections can create a tangible and highly visible family legacy while keeping agriculture affordable for future generations.

EXPLORING “WHAT”

Now that you’ve explored the “big picture” motivations for land protection, ask yourself these “nuts and bolts” questions about your protection goals.

Do I want to continue to own or use the land during my lifetime?
Do I want financial compensation for my land?

CASE STUDY: JIM AND KATIE OWENS

Jim and Katie Owens, also pictured on the cover, raise cattle and grain on their third-generation farm in Calhoun County.

Over time, the couple became increasingly fascinated with native prairie plants growing on their land—species like big bluestem, which uses its 15-foot roots to withstand drought and stabilize the soil.

The Owens contacted the Iowa Natural Heritage Foundation to learn more about native prairie, how to use its natural advantages to improve their farming operation and how to protect its long-term health.

The couple soon developed a rotational grazing plan to make best use of their land. They installed nose pump waterers to keep the cattle from eroding stream banks and otherwise reducing water quality.

They also protected their land with a conservation easement. This conservation option allows the couple to maintain private ownership and continue livestock farming—while ensuring that no future owner can destroy this unique resource.

Are potential tax savings important to me?
Do I want to protect all of my property or just part of it?
Do I want the land to be open to the public as a park or wildlife area?
Who is best suited to oversee the long-term protection of my land—an individual or conservation group?
If the latter, which conservation groups are willing and able to do so?
While each question is important, you can select or rule out many options simply by answering the first three. Use our clickable options checklist to find the option that's right for you.

FINDING “WHO”

Permanent land protection is an important decision that should involve family members and your legal and financial advisors. You should also contact a conservation partner to get the best sense of your available options and how they fit your personal situation. Conservation partners provide a great deal of information and professional assistance at no cost. Their staffs can discuss the options with you alone and/or with additional family members and your professional advisors.

DECIDING “WHEN”

Permanently protecting your land is a major emotional and financial decision that should not be rushed or taken lightly. However, procrastination can be as risky as haste. Landowners who wait too long have the decision made for them. When an Iowan dies without a will, estate dispersal is determined by the Code of Iowa.

Even when inheritance of the land itself is clear, conservation goals that haven't been formalized can result in delay, conflict or no protection at all. For example, perhaps some heirs are convinced that Grandpa wanted the woodland protected and thus feel obligated to explore protection avenues. Others just want to sell the land as quickly as possible, divide the proceeds and move on. Maybe Grandpa even talked with a couple of family members about protection. However, nothing was signed and the other heirs are demanding top dollar. What could have been a legacy of land protection becomes a legacy of discord. The time to act is now.

By reading this book, you're already on the road to choosing the land protection option that's best for you. Happy journey!

CHOOSING “HOW”

Use this chart to identify which protection options are right for you. Start by answering the three questions across the top. Your answers indicate which protection options best fit your goals, so read about those first. Then look over the other options to discover additional ideas or possible combination measures. Don't worry about finding “the answer” on your own! Use this booklet as a springboard for exploring options with your family, professional advisors and conservation partner(s).

ONE FAMILY'S EXPERIENCE

by Cindy Hildebrand & Roger Maddux

When we signed the legal papers that made us landowners, we felt happy and lucky. But we didn't feel like real landowners until the land started to fill with our memories—the elm branch where we saw bluebird parents feeding their speckled young, the quiet creek bend where muskrats played, the steep slope where we pulled invading sweet clover to help blooming prairie violets.

Soon we knew we wanted to protect the land permanently. But we put off action because the decisions seemed so difficult and complex. Could we combine protection with the flexibility we needed? How expensive would protection be? And we thought we had plenty of time.

Looking around, however, we could see the pace of land development increasing. And we realized that if something unexpected happened to us, our land would be both vulnerable and commercially valuable.

It was time to move forward. But how? We weren't sure, and we felt much more comfortable cutting brush than wrestling with legal documents and financial calculations.

What made the difference was finding out that there were conservation partners who understood our feelings and were willing and able to help.

We didn't have to figure things out on our own. We could get detailed advice every step of the way, and we could create a land protection agreement as unique as our land and our goals. And we also discovered that the tax benefits would help us more than we had thought.

Protection Options	Do you want to still own and use your land?	Do you want financial compensation?	Do you want tax savings?
Land Donation	No	No	Yes
Bequest	Yes	No	Limited
Land donation with reserved life estate	Yes	No	Yes
Bargain Sale	No	Yes	Yes
Fair Market Sale	No	Yes	No
Conservation Easement	Yes	Rarely Available	Yes

OTHER OPTIONS

This chart lists six protection tools commonly used by Iowa landowners. However, we've included information on other methods at the end of each section: more donation options, more sale options and more ownership options. These methods are less common because they apply only to specific circumstances or work best in combination with other options.

COMBINING OPTIONS

While these protection tools are generally used alone, some landowners combine two or more options. For example, you could donate a non-tillable, natural area now and bequeath the adjoining tillable ground later. In this way, you receive an immediate income tax deduction for the donated natural area while retaining the use and income from your crop land. Later, income from your bequest can provide ongoing funding for continued stewardship.

By the time our conservation easement was ready, we were as happy to sign it as we had been to sign the land ownership papers. Now we can look at our land and know that the bluebirds, muskrats, and prairie violets have a safe future. It's a very good feeling.

Cindy and Roger are Story County landowners and prairie enthusiasts. In 2005, they donated a conservation easement to the Iowa Natural Heritage Foundation.

LAND DONATION

Donating land to a conservation partner is usually the simplest conservation option because financing and price negotiations aren't necessary. Simply talk with your intended recipients to confirm that they will accept your land gift. Then transfer the title. You can also donate non-conservation land to support other conservation efforts.

FINANCIAL BENEFITS

Even people who give their land away may still receive financial compensations:

- You will no longer pay property taxes or costs of management.
- If your recipient is a qualified government agency or nonprofit organization, you may be able to claim an income tax deduction of the land's fair market value (as determined by a qualified appraiser). Some landowners donate the land in installments or partial interests over a period of years to maximize their tax benefits.
- You may be able to reduce your federal estate tax and your heirs' state inheritance tax.

OTHER BENEFITS

Donating land for conservation also provides intangible benefits:

- Because you are making a gift, you have more control in choosing your land's future owner, land uses, management goals and transaction timing.
- You may get naming rights to the property—allowing you to memorialize your family name or someone/something else of your choice.
- You share in the excitement of seeing the conservation project unfold before your eyes.

TALK IT OVER

Be sure to discuss land gifts with your potential recipient in advance. Conservation staff can help clarify your wishes and/or suggest changes in gift timing that could be mutually beneficial. If your land has special long-term management needs, consider donating or bequeathing funds to help cover your recipient's future expenses associated with the gifted property. (For more, visit the long-term stewardship section.)

CASE STUDY: SNYDER HERITAGE FARM

Alfred and Gladys Snyder wanted to ensure that their Polk County farm would continue to support wildlife, not urban sprawl.

They had begun arrangements to bequeath their 154-acre farm to the Iowa Natural Heritage Foundation. However, after Alfred's unexpected death, Gladys decided to give INHF the land as an outright donation.

At the time of the gift, the farm was approximately half cropland and half wooded pasture. Using income from the cropland, INHF has since restored or reconstructed much of Snyder Heritage Farm to prairie, oak savanna and wetlands.

These ongoing restoration efforts provide diverse wildlife habitat and a working conservation model for college interns, neighbors, visiting classes and other conservation professionals.

BEQUEST

If your land has high-quality natural resources that you want protected beyond your lifetime, consider bequeathing it to a conservation group.

Even if your land has little or no natural resource value—such as a commercial lot—you can bequeath it to a like-minded conservation group. They can use its sale proceeds or annual income to fund other conservation efforts.

LEGAL AND TAX BENEFITS

A bequest of land for conservation offers these advantages:

- It's a straight-forward process—simply include the land bequest (devise) and recipient in your will.
- A bequest enables you to decide what will happen to your land. If you die without a will, state law determines how your assets will be disbursed.
- The bequest does not affect your use of the land during your lifetime. The land is still completely yours.
- A bequest can be changed if you later need an asset to cover personal expenses or choose a different beneficiary.
- Your bequest may reduce future estate and inheritance taxes. However, it does not qualify you for income tax savings available through several other options.

TALK IT OVER

Though the paperwork is simple and can be done without the beneficiaries' knowledge, always discuss land bequests and restrictions with potential conservation beneficiaries in advance. Here are some key issues to clarify together:

- Bequeathing land "for conservation" can mean different things for different land and different people—from selling the land and using the proceeds for other conservation projects to preserving and managing the land according to very specific guidelines. Talk with your intended conservation recipient—perhaps even walking your land together—to make sure this partner understands and can fulfill your goals.
- Unlike a cash bequest, land gifts can place significant responsibilities and costs on the recipient—especially if the land has no income-producing potential and comes with restrictions on its use, management or future sale. In such cases, consider a bequest of funds to ensure that your conservation partner can manage the property as you intend.

CASE STUDY: A WILL TO PROTECT

Saddened to see the natural areas of his youth converted to development, a Johnson County native and his wife purchased a farm outside Iowa City. At first the couple—who choose to remain anonymous—continued farming much of the land. Then they visited a private prairie restoration and were inspired to try it themselves. But how to start?

"I had lots of plans but no methods," the owner recalls. He contacted the Iowa Natural Heritage Foundation and got advice from Land Stewardship Director Joe McGovern.

The results have exceeded the owner's expectations: "Over the years, Joe has guided me in planting and nurturing a prairie reconstruction," he notes. "Now almost six years old, the prairie is becoming a mature wonder of beauty and abundance for humans, pets, birds and wild animals—as well as a storehouse of food for insects."

After so much emotional and financial investment, the couple explored long-term land protection. "My wife and I hope this restored parcel of land will continue to thrive into the far future. But how can we be sure that will happen? Once again we gladly rely on INHF to protect and nurture this natural heritage."

The couple has bequeathed their land and an endowment fund to INHF in order to support its future management.

RESERVED LIFE ESTATE

When you donate your land with a reserved life estate, you commit to the gift but can continue to use the property during your lifetime. This option, also called a “life tenancy,” is a middle ground between a bequest and an outright land donation.

OWNERSHIP/RESIDENCY EFFECTS

- You can enjoy continued residence on, use of and income from all or part of the property during your lifetime.
- Your spouse and/or other immediate family member(s) that you stipulate as “life tenants” can also enjoy continued use. However, extending this right to additional people—especially if they are significantly younger—decreases your potential income tax benefits.
- You retain typical owner responsibilities and costs, such as building maintenance, land management, insurance and property taxes.
- You can’t make management decisions that would significantly reduce the value of the gift. For example, you can’t log it or stop maintaining the buildings (unless permitted in the original agreement).

FINANCIAL/TAX EFFECTS

- You can’t reverse a gift subject to a reserved life estate. In contrast, you can change a bequest during your lifetime. For this reason, the donation with reserved life estate may offer tax benefits during your lifetime while a bequest does not.
- You’ll continue to pay real estate taxes on the land retained for your family’s use.
- Your gift may qualify for income tax deductions. Your deduction is based on a formula using IRS actuarial tables and current interest rates.

TALK IT OVER

Some conservation groups may prefer to avoid the complexity and delays associated with a land donation with reserved life estate. Others may actually prefer it to an outright donation. It’s an especially appealing option for groups that would someday like to own the property but do not wish to accept the costs and responsibilities of immediate ownership.

CASE STUDY: INDIANGRASS HILLS

A group of friends with a shared passion for prairies purchased land in Iowa County and set about restoring its native prairie. As prairie plants began to recover, they named the site Indiangrass Hills.

The group had begun exploring permanent protection options, but they had to move quickly when partner Sandy Rhodes was diagnosed with an aggressive illness in 2005. They donated a conservation easement to the Iowa Department of Natural Resources and donated the land with a reserved life estate to the Iowa Natural Heritage Foundation.

Sandy has since died, but Judy, Mary and their network of volunteers continue to manage the land’s restoration—with occasional assistance from INHF staff and interns. Because the owners have always practiced and want to maintain high-quality stewardship practices, Sandy also left a substantial bequest to Judy to provide for its long-term care. To avoid the estate and inheritance tax liability that would have reduced Sandy’s gift, Judy disclaimed a portion of the estate, which then passed directly to INHF with no tax.

“The land is restoring itself,” says Mary. “We’re just removing what mankind has done to it. The land does not belong to us; we belong to it. We’re just the caretakers.”

“We want good stewardship of this land to continue after we are gone,” adds Judy. “That’s why we have given it to INHF.”

OTHER DONATION OPTIONS

The most popular methods for donating land for conservation are listed in the navigation bar at left. The following options are less common because they apply only in specialized circumstances and/or in combination with other methods. As a result, not all conservation groups use these options, while others will do so only in exceptional cases.

DONATION OF NON-CONSERVATION LAND FOR RESALE

You can donate land that does not have significant natural, scenic or recreational features (such as crop land, building lots or commercial property) to a conservation organization—with the understanding that the donated land can be sold and the proceeds used to purchase conservation land or meet other goals. In most cases, your donation is fully tax deductible.

DONATION OF A PARTIAL INTEREST

Rather than donating your land as a whole, you can donate an undivided partial interest in your land—meaning that you donate a specified percentage of the rights, income and responsibilities on the property as a whole. For example, you could keep a 60% undivided interest in your land and donate the other 40% to a conservation partner.

The donated portion of an undivided interest is often tax-deductible. Some donors extend the gift over multiple years to maximize those deductions—perhaps donating a 50% undivided interest one year and the remaining 50% three years later.

As co-owners, you and your partner(s) are classified as tenants-in-common. As such, you are each responsible for your pro rata share of expenses and are each entitled to your share of income from the property. Donating an undivided interest is also appropriate for land with limited or no conservation assets. In such cases, you and your partner(s) may choose to sell the entire property and split the proceeds accordingly. If only part of your land has conservation value, you can sell the non-sensitive areas and use the proceeds to protect the remaining land and/or additional conservation sites.

DONATION TO PAY INHERITANCE TAX

If you inherit land that a state or county agency is interested in owning for public purposes, you may be able to donate the land to the public agency as partial payment of your state inheritance tax. Talk with your legal advisor or see Section 450.6, Code of Iowa, for details.

DONATION TO ESTABLISH A LIFETIME INCOME

You can donate land (or stocks or other assets) to a conservation group in exchange for a life income agreement, commonly called an annuity. Annuities provide you with regular payments throughout your life. Upon your death, the remaining principal is transferred to the conservation group. There are many methods for creating an annuity, but the charitable gift annuity and charitable remainder trust are among the most common.

Because these methods usually require selling the land to cover your annual payments, they may be more suitable for estate planning than for land protection. Read more about estate planning in the Tax & finance section.

BARGAIN SALE

Rather than sell at fair market value, you can sell your land to your conservation partner at a reduced price. Whether the price reduction is a little or a lot, a bargain sale is a popular option for protecting conservation land. Bargain sellers may get a substantial part of their donation returned in tax savings.

BARGAIN SALE BENEFITS

A bargain sale can benefit you and the buyer:

- You receive proceeds from the sale of your land, though less than fair market value.
- You may qualify for an income tax deduction based on the discounted price of your sale. Meanwhile, your capital gains taxes associated with the sale may become smaller or nonexistent. See the tax case study for a side-by-side comparison of the tax impacts on a bargain sale, fair market sale and full donation.
- Bargain sales help conservation groups, which always have limited funds, to afford the land purchase. Your generosity also helps them attract other private donors and public grants to cover the remaining purchase price.
- You get to see the benefits of your legacy during your lifetime—and may qualify for naming rights or other intangible benefits.

TALK IT OVER

Even when offered land at a reduced price, your conservation partner may need time to raise funds for purchase. Talk with your partner in advance about ways to ease the purchase process for each other. For example, your buyer can often help you time your gift to a specific tax year. As with fair market sales, you can offer special considerations like an exclusive option to buy or extended payment terms.

Meanwhile, if tax savings are important to you, discuss bargain sale terms with your financial advisors. Many bargain sellers recoup part of their donation in tax savings.

CASE STUDY: FAULKES HERITAGE WOODS

Two pairs of sisters collaborated in protecting a 110-acre woods located on the Cedar Rapids/Marion border. Pictured from left, they are Alice Smith and Elizabeth Barry and their nieces, Nancy and Cynthia Thompson.

The older sisters sold the woodland to the Iowa Natural Heritage Foundation for a substantial discount, while the younger sisters made a full donation. News of the family's generosity encouraged nearly 500 public, private and corporate donors to contribute the remaining funds needed to acquire the property.

As the family wished, INHF placed a conservation easement on the property to permanently restrict its uses and then transferred it to the City of Marion. The city dedicated it as a natural park for low-impact public use and wildlife habitat. The site contains woodlands, footpaths and shoreline along both sides of Indian Creek.

The site is now called Faulkes Heritage Woods. It was named in honor of Alice Faulkes, the grandmother and great-grandmother of the four women.

FAIR MARKET SALE

Conservation groups can and do purchase land at fair market value—though their acquisition funds are limited.

EASING THE SALE

If you truly care about protecting your land's natural resources but want fair market price, consider easing your conservation buyer's purchase through non-financial means. While many of these incentives can aid other sale options, they are particularly helpful for fair market purchases.

- **Option to purchase:** If a conservation group lacks ready cash to purchase your land, you can grant an option to purchase. You and the conservation buyer agree on a specific sale price and terms, including a specific amount of time during which the buyer may exercise its exclusive right to purchase your land. During that time, you cannot sell to anyone else. If the option expires, you have no further obligation to that buyer.
- **Extended payment terms:** You can give your conservation buyer time to raise purchase funds by offering a contract or installment sale. This strategy might also help you extend your income and tax benefits.
- **First Right of Refusal:** If a conservation group expresses interest in purchasing your property but you're not yet ready to sell, you may grant that buyer a First Right of Refusal. This right gives a conservation buyer a specified period of time to match any bona fide offer that you receive from another potential buyer. Before accepting this outside offer, you are obligated to allow the conservation group to purchase the land for that amount.

WEIGHING YOUR OPTIONS

Before setting your price, see the side-by-side comparison of the pre-tax and after-tax proceeds of a fair market sale, bargain sale and full donation. As you'll see, your bottom line isn't measured by your sales proceeds alone but by how much you get to keep after taxes.

Meanwhile, bargain sales and donations also provide intangible benefits, such as protecting your family's legacy and future.

CASE STUDY: VINCENT BLUFF NATURE PRESERVE

The city of Council Bluffs is set among Iowa's beautiful Loess Hills.

Mildred Vincent and family owned and loved a 31-acre bluff and its native prairie for more than 50 years. Over time, their property was annexed by the city and surrounded by development.

Widowed, no longer able to live on her property, and concerned about financing long-term care for herself and a disabled adult son, Mildred needed to sell her main asset—her land. Over the years, many potential buyers had offered to purchase the bluff for development, but she wanted it to remain natural.

Though she couldn't reduce her price, Mildred worked with the Loess Hills Preservation Society, Iowa Natural Heritage Foundation and City of Council Bluffs to arrange flexible sale terms. She sold the land on contract with 6-month installment payments. Her flexibility allowed the partners to launch an extensive fundraising campaign that eventually drew nearly 300 public and private donations to protect Vincent Bluff Nature preserve.

While it's highly unusual for a project sold at fair market value to carry the seller's name, Mildred Vincent went out of her way to arrange flexible sale terms for her conservation partners.

OTHER SALES OPTIONS

The most popular methods for selling land for conservation are listed in the navigation bar at left. The following options are less common because they apply only in specialized circumstances and/or offer only temporary protection. As a result, not all conservation groups use these options, while others will do so only in exceptional cases.

LIKE-KIND EXCHANGE

A like-kind exchange allows you to trade income or investment property for other property. Because the transaction is considered a trade rather than a sale, you can defer capital gains taxes on the relinquished parcel until you sell the replacement property.

Conservation groups are often eager partners for landowners who want to trade lower-quality farm ground for better ground. Unlike the typical farm buyer, conservation groups prefer low-lying ground with wetland features, highly erodible slopes with native prairie or “rough” ground that might contain endangered species. Like-kind exchanges are covered under Section 1031 of the Internal Revenue Code. Its rules are very complicated, so be sure to consult with a professional tax advisor.

DEED RESTRICTION

When you sell, donate or transfer land to anyone, you can give it short-term protection by placing language in the deed to restrict how it can be used. These restrictions remain in effect for only 21 years. The deed restriction also designates benefited parties—such as neighbors or a conservation partner—who have the right to re-record the restrictions and extend their provisions for additional 21-year increments and to enforce the restrictions.

Deed restrictions are much simpler to put in place than conservation easements. However, because they don't offer the consistent monitoring, enforcement and permanence of conservation easements, deed restrictions generally aren't the preferred option for sites with particularly rare or sensitive natural resources. They also do not qualify as a charitable contribution for income tax purposes. Find more details about the financial and tax impacts of conservation protections.

CONSERVATION EASEMENT BASICS

A conservation easement is the most popular and permanent way to protect your land's special features—natural, cultural, historic and scenic—while retaining private ownership and use.

HOW EASEMENTS WORK

A conservation easement is a contract between a landowner and a qualified conservation group. The easement document specifies:

1. which uses or rights the landowner wants to retain and
2. which uses the landowner does not want to exercise—and does not want any future owners to be able to exercise.

In other words, when you grant a conservation easement, you retain many land ownership rights while voluntarily giving up others—such as development or mining—that could damage the site's conservation values. The easement document, which is binding to the current owner and all future owners, is filed with the county recorder.

FLEXIBILITY

Because landscapes, landowners goals and potential threats vary widely, a conservation easement is a flexible protection tool. Though conservation easements may start from the same template, each is tailored to the land and the landowner. For example, some Iowa easement donors place an easement on their entire property while others protect only the most vulnerable areas. Some limit timber harvesting to a sustainable plan while others completely prohibit it. Some restrict development to protect their agricultural tradition. Others restrict agriculture to protect their prairie restoration efforts. See the case studies for more information.

EFFECTS ON PROPERTY RIGHTS

Easements allow landowners to maintain most ownership rights. Grantors still hold the property in fee-title and can sell it or bequeath it to heirs. If compatible with the purpose of the easement, they may live on the site, raise crops, harvest timber and otherwise derive income from the property. Their rights to restrict public access are identical to those of any other private landowner.

Meanwhile, easement donors retain typical landowner responsibilities such as controlling noxious weeds and paying property taxes.

FINANCIAL AND TAX EFFECTS

A conservation easement generally reduces the land's fair market value, which can reduce the donor's taxes. For example, an easement that restricts development rights on property within a high-growth area may reduce its fair market value. If the easement is donated, the difference in appraised value before and after placing the easement may be recognized as a charitable gift and may qualify the donor for substantial income tax deductions. It may also reduce estate and inheritance taxes.

EASEMENT CASE STUDIES

Here are just a few variations among conservation easements held by the Iowa Natural Heritage Foundation:

Protecting history and hard work:

The Buckmaster family has spent decades protecting the prehistoric mounds on their Allamakee County land. Meanwhile, they are restoring prairie on an historic blufftop—while seeing neighboring bluffs scarred by unsightly, poorly planned development. By donating a conservation easement that protects the site's ecological and archeological treasures, the Buckmasters know their special land and hard work won't be lost.

Protecting spectacular scenery:

Brothers David Heine and Bill Heine own land along the Upper Iowa River in Winneshiek County. Their property includes some of the most striking limestone palisades in the river corridor—an area that draws oohs and aahs from paddlers and others enjoying the river. To protect this scenic beauty, their easement prohibits development visible from the river.

Preserving undeveloped shoreline and water quality:

The Connell family has long owned land along Clear Lake, where shoreline property is priced by the linear foot. The extended family donated a conservation easement land that includes 4,300 feet of shoreline—prohibiting development and protecting native ecosystems. In addition to its scenic value as undeveloped shoreline, their property provides wildlife habitat and acts as a natural filter to clean water entering the lake. Unlike most other INHF easement donors, the family also chose easement language that allows low-impact public access—continuing the long tradition of lake users escaping to this peaceful place for picnics or hikes.

Protecting prairie pastures: See the case study of Jim and Katie Owens'

THE PROCESS

If you're trying to complete your easement within a specific tax-year or other personal deadline, plan ahead! From start to finish, the process can take 4 to 15 months.

The conservation easement process involves several steps, including drafting and agreeing on easement language, updating the property abstract to assure clear title, getting a qualified appraisal (if you seek tax benefits), creating a baseline inventory that the easement holder can use in future monitoring visits, and filing final documents with your county recorder. While most of these tasks aren't your responsibility, you need to allow time for others to complete them.

THE DECISION

Granting a conservation easement is a major decision that should not be undertaken lightly. Depending on circumstances, easements can significantly reduce the land's fair market value while providing significant tax benefits. Once signed, an easement's restrictions are recorded and become permanently binding on the current owner and all future owners, in perpetuity.

Before granting a conservation easement, discuss the options with your financial and legal advisors, family, heirs and potential easement holder.

TAILORING YOUR EASEMENT

Most conservation easements share similar features—with the finer details adapted to each landscape and landowner.

For example, easements held by the Iowa Natural Heritage Foundation generally prohibit subdivision, development, mining and concentrated animal feeding operations. They generally permit continued residence by current and future owners, agriculture on previously farmed fields, timber harvests within a sustainable plan and other activities that don't violate the stated restrictions or otherwise damage the protected resources.

However, most easements also have individual features that reflect the specific landscape or the landowner's wishes. The case studies in this section provide several real-life examples.

YOUR EASEMENT HOLDER

As noted, a conservation easement is a contract between the easement grantor (landowner) and easement holder (conservation group). Because the easement holder is responsible for ensuring that your easement is honored for perpetuity, it's important to choose an easement holder that shares your goals and has the professionalism and capacity to fulfill the contractual obligations.

WHO ARE QUALIFIED EASEMENT HOLDERS?

Easements may be held by public or private entities. Eligible public agencies are listed in Iowa Code Section 457A.1.

ranchland easement in the Getting Started section.

Extending value of a public nature area:

Bob deNeui and wife Joell bought land on the Iowa River near his boyhood home in Hardin County. Over time, the deNeuis have donated two conservation easements on their property. They sold another parcel to the Hardin County Conservation Board for a bargain price. Because the deNeui's private property adjoins county land, their easements have a multiplier effect on local wildlife habitat, scenic beauty and water quality.

They include the Iowa Department of Natural Resources, soil and water conservation districts, the historical division of the Department of Cultural Affairs, the State Archaeologist, county conservation boards and cities or city agencies.

Private, nonprofit organizations (such as the Iowa Natural Heritage Foundation, The Nature Conservancy and many others) are also qualified easement holders. See more examples in the Conservation Partners section.

WHAT IS THEIR ROLE?

The easement holder's main responsibility is ensuring that no present or future owners exercise or permit the uses prohibited by the easement agreement. Different organizations handle this responsibility differently, so look for easement holders who will permanently commit the time and resources to monitor and enforce your easement's restrictions.

Here's what you can expect from a partner like the Iowa Natural Heritage Foundation:

- During the easement-drafting process, INHF staff completes a baseline inventory of the property, including photos and descriptions of key resources.
- Using the baseline data, INHF staff visits and monitors its easement sites annually to ensure that the use of the land complies with goals and restrictions in the easement agreement. All visits are scheduled in advance and owners are encouraged to join the INHF staff member before, during or after the monitoring process. Many owners enjoy this personal interaction and the chance to learn and share more about their land's special treasures.
- When the land is sold or transferred, INHF makes a point to establish early and friendly communications with the new owner (who will learn about the easement and its restrictions during the purchase process). INHF and the new owner then conduct annual monitoring visits as before.
- If a violation occurs, INHF works with the owner to discontinue and/or fix the problem. If a major violation occurs that can't be resolved through dialogue—such as a new owner trying to build condos when the easement forbids development—INHF would use legal means to protect the easement's integrity.

TALK IT OVER

Even though most easements are donated, responsible conservation partners carefully consider whether or not to accept them—because receiving this “gift” means taking on the perpetual responsibility and expense of monitoring the site for easement compliance and, if necessary, enforcing the easement through legal means—even decades after the gift was made.

Consequently, INHF and other easement holders who take the job seriously have established easement monitoring funds to cover monitoring costs and potential legal costs if the easement needs to be defended in court. Landowners who establish easements may be asked to consider a tax-deductible contribution to such a fund.

OTHER OWNERSHIP OPTIONS

The most popular methods for owning land for conservation are listed in the navigation bar at left. The following options are less common because they apply only in specialized circumstances and/or offer only temporary protection. As a result, not all conservation groups use these options, while others will do so only in exceptional cases.

PRESERVE DEDICATION

Some of Iowa's preserves are public lands, while others are privately owned with no public access. If you own land with exceptional biological, geological, historic or scenic features, you might apply for "state preserve" status, even while maintaining private ownership. In this case, a management plan is written with oversight and guidance from the Preserves Board and the Iowa Department of Natural Resources staff. The landowner, the State Preserves Advisory Board, and the Governor must agree to the restrictions. See Chapter 465C, Code of Iowa, for details.

CONSERVATION LEASE

If you're not ready to transfer land to a conservation agency or organization, some organizations may be willing to lease the land for conservation uses and management. A long-term lease (paid or free) can help a landowner manage or enhance a natural area, but it does not guarantee permanent protection to the land and its resources. For example, this arrangement can cause problems if the owner dies without making provisions for the land's long-term ownership and management.

A new source of in-depth information on sustainable farm leases is available from the Drake Agricultural Law Center and the Leopold Center for Sustainable Agriculture (3-2011). Resources here include sample leases, legal background on leases and videos.

MUTUAL COVENANT

Neighbors who share conservation goals may record similar restrictions on their properties and then share the responsibility of enforcing the restrictions. Mutual covenants aren't as strong or long-lasting as conservation easements, but they can work with the right combination of people and circumstances.

FARM DEBT CANCELLATION

Persons with Rural Economic and Community Development loans that are secured by real estate may be able to cancel part of the RECD debt in exchange for donating a conservation easement. To be eligible, the land must have significant conservation values.

OPTIONS IN REVIEW

As a landowner, you've already made lots of choices—from your initial purchase to daily management decisions. But whether or how to permanently protect your land's special resources could be the most important land ownership decision you make—certainly the one with the most lasting results.

It's a unique opportunity to touch the future.

TAX ISSUES

By implementing permanent conservation protections, you might qualify for tax benefits that can assist those of moderate as well as wealthy means.

These tax reductions can sometimes significantly reduce the “bottom line” cost of your donation.

TALK IT OVER

Even if tax savings aren't a prime motivator for your conservation efforts, don't ignore them. Talk with your tax advisor about issues like these:

- How to time your gift for maximum advantage.
- How to weigh the benefits of making a bequest (which provides no tax benefits during your lifetime) vs. other options.
- How tax benefits can make your gift more affordable. For example, landowners who thought they needed fair market value often discover they can afford a bargain sale — while those considering a bargain sale discover they can afford to donate a larger portion of the price.

Finally, it bears repeating: Tax laws are complex and constantly changing. Always get professional advice!

NOTE: The expanded federal tax incentive for conservation easement donations was extended for 2013 but will expire this year. Learn more about how you can help restore this incentive for conservation-oriented landowners at <http://www.landtrustalliance.org/policy>.

INCOME TAXES

If you donate land to a qualified government conservation agency or nonprofit organization, you may be able to claim an Iowa income tax credit, as well as a federal charitable gift deduction for the fair market value of your gift.

Depending on the land protection method you choose, there may be additional rules on what constitutes a “true gift,” adequate conservation protections or an IRS-qualified recipient. To further complicate the situation, the federal government offers choices for how to compute your charitable gift deduction (see the Income Tax Options section below).

Tax options also change over time, and their relative advantages vary according to individual finances and goals. Talk with your tax advisor about which options are available and right for you.

INCOME TAX OPTIONS

For most gifts of land, easements or other assets, the federal tax code offers you choices in how to compute your charitable gift deduction. The current standards are the 30% or 50% election options.

- The 30% option: If the charitable deduction for your land gift is based on its current fair market value (including any price appreciation since you originally purchased it), the amount you can deduct in charitable contributions in one year is limited to 30% of your adjusted gross income (AGI) for that year. If your gift's value exceeds 30% of your AGI, you can carry the excess over for up to five succeeding tax years. In other words, you can deduct 30% of your AGI annually until you've deducted the gift's total value or until six years have passed—whichever comes first.
- The 50% option: You can choose a charitable deduction of 50% rather than 30% of your AGI if you compute your gift's value according to your basis in the property rather than its fair market value. Like the 30% option, this 50% deduction can be carried forward for five additional years. The 50% rule might be advantageous when your basis in the property is substantial compared to your income, the appreciation in your property value has been small, or you have reasons to maximize your deduction earlier rather than later. [Note: Landowners who donate a conservation easement within one year of purchasing the land are currently limited to accepting the 50% option. Some purposely delay the easement gift until the second year to qualify for the 30% option.]
- 10% for corporate donors: Corporate donors are also entitled to deduct the current appraised value of a land gift (up to 10% of the corporation's taxable income per year), subject to the five-year carry forward rule.

NOTE: The expanded federal tax incentive for conservation easement donations was NOT extended into 2012. Learn more about how you can help restore this incentive for conservation-oriented landowners at <http://www.landtrustalliance.org/policy>.

It is always important to consult a tax professional to understand the latest rules and how they apply to your specific situation.

IOWA TAX CREDIT FOR CHARITABLE CONSERVATION CONTRIBUTION OF LAND

Thanks to new legislation passed in 2008, Iowa taxpayers can now claim a substantial Iowa tax credit when they make a charitable donation to a qualified conservation organization:

- Land for conservation purposes (full value or bargain sale).
- Conservation easements.

Iowa's new tax credit provides so much value that full or partial donations for conservation purposes can, in some cases, bring landowners nearly as much financial return as selling the land.

HOW MUCH CREDIT CAN I RECEIVE?

- 50% of the fair market value of the donated property interest
- Maximum tax credit of \$100,000

In other words, if you donate land or easements valued at \$200,000, you can subtract \$100,000 from your Iowa income tax payment.

What if my tax credit is more than the state income tax I owe this year?

Any credit that exceeds your Iowa income tax liability for the tax year of the donation may be credited to next year's taxes. This "carry-over" can be claimed for up to 20 years or until the full tax credit for your donation is claimed — whichever is earlier.

WHAT IF MY DONATION IS WORTH MORE THAN \$200,000?

A donation valued at \$200,000 would give you the maximum tax credit of \$100,000. If your donation exceeds \$200,000, you can claim an Iowa itemized deduction for the remaining value.

HOW IS THIS NEW TAX CREDIT DIFFERENT?

You used to be able to claim an itemized deduction on both state and federal income taxes for your donation of land for conservation. Now you can claim a state tax credit. Plus you can still claim your itemized federal deduction for a conservation-related donation. For more information on federal tax incentives available for conservation-related donations.

WHAT KIND OF LAND DONATION QUALIFIES FOR THIS TAX CREDIT?

- Donation must be in land in Iowa
- Donation must be made after the 2008 tax year
- Must be "conveyed as an unconditional charitable donation in perpetuity to a qualified organization exclusively for conservation purposes." These definitions align with the federal IRS rules for donating land or land value for conservation.

TAX CREDIT VS ITEMIZED DEDUCTION

Tax credits are generally much more valuable than tax deductions, but many people don't fully understand the difference.

- A Tax Credit is subtracted directly from the tax you owe - dollar for dollar.
- An Itemized Deduction reduces the amount of income on which your tax is calculated. Its value depends upon your income tax bracket.

WHAT IF THE DONATED LAND IS NOT OWNED SOLELY BY ME AS AN INDIVIDUAL?

Individuals may claim the credit for donating land held in a partnership, a limited liability company, an S corporation, or an estate or trust electing to have the income taxed directly to the individual. The amount you can claim is based on your pro-rata share of your earnings of the partnership, limited liability company, S corporation or estate or trust.

HOW TO CLAIM THE TAX CREDIT?

- Use the Form IA 148 “Tax Credits Schedule.”
- Attach a copy of Federal Form 8283 ‘Noncash Charitable Contributions’ which shows how you calculated the value of your donation. (You’ll attach this same form to your federal tax return to claim your federal itemized deduction.)
- You’ll need a qualified appraisal to claim a tax credit or deduction on a donation valued at more than \$5,000. According to the IRS, the appraisal needs to be within 60 days before the date you sign your conservation easement. If the appraisal is completed after the date of the gift, the appraised value needs to be determined as of the date of the gift.
- NOTE: If you claim more than one kind of tax credit, you need to deduct the tax credits in a particular sequence.

CAPITAL GAINS TAXES

When you sell property, you will likely incur capital gains taxes based on the difference between your sale price and your basis (your original purchase price plus improvements and less depreciation).

If your land has greatly appreciated during your ownership, you may owe significant federal and state capital gains taxes. (Note: Iowa does not tax capital gains resulting from the sale of property used in trade or business for at least 10 years. Also, basis is automatically reset to the current fair market value when the owner dies.)

Options such as the Like-Kind Exchange are specifically designed to defer capital gains taxes. Other options, such as bargain sales or donations, can reduce or eliminate these taxes completely.

ESTATE & INHERITANCE TAXES

The protection options described throughout this book let may reduce the value of your estate, which may reduce your federal estate tax and state inheritance tax.

These taxes are hot-button political topics, so their rules have undergone major revisions over the past few years—with further revisions on the horizon. Because these tax rules are in flux, we won't go into great detail here. However, here are general topics you should discuss with your professional advisors.

- **Charitable gifts:** Gifts to qualified charities are subtracted from your estate value before the taxes are computed.
- **Estate tax exemption:** The vast majority of Americans don't pay estate taxes because their gross taxable estate falls below the standard exemption. As of January 2007, that exemption is \$2 million or \$4 million for married couples who have done some simple estate planning. However, that amount will change over time. Don't forget that land can be a particularly valuable asset—and one that's subject to inflation.
- **Estate tax rate:** As of January 2007, any estate value above the exemption is taxed at 45%, a rate that makes donations look a lot more affordable! However, like the exemption amount, the estate tax rate is subject to frequent change.
- **Additional deduction for easements:** The 1997 Taxpayer Relief Act provides an additional estate tax deduction for the donation of conservation easements. Under Section 2031(c), qualified donors can exclude up to 40% of the value of the protected land for estate tax purposes (up to a cash value of \$500,000). It also allows the heirs to donate a conservation easement—after the death of their loved one but before the estate tax return is filed.
- **State inheritance taxes:** Unlike federal estate taxes, which are paid by the estate, Iowa's inheritance tax is paid by the beneficiary. These tax rates are based upon the relationship of the beneficiary to the deceased, with no inheritance tax due from spouses and direct lineal descendants or ascendants (i.e. children, grandchildren, parents). If conservation protections reduce your estate's value, it may reduce your heirs' inheritance taxes.

PROPERTY TAXES

Of course, once you donate or sell land, you're no longer responsible for property taxes or other management duties—an option many landowners come to appreciate as they grow older.

Because a conservation easement reduces your property's fair market value, you'd expect it would also reduce your property taxes. Unfortunately, Iowa has no consistent laws on this practice, and many Iowa counties do not adjust property taxes for conservation easements. If you're considering an easement donation, you may increase your odds of getting such a property tax deduction by contacting your county tax office in advance.

CAUTIONS

Always consult a professional tax and/or legal advisor before making major financial decisions or donations. This booklet is a helpful start, but tax laws are complex and change frequently. While experienced conservation groups can help lay out your options, they are not tax professionals and can not legally represent your interests in these transactions.

Your gift must have lasting conservation benefits in order to qualify for a deduction. With your advisor, make sure your gift meets the requirements of IRC Section 170 and accompanying Treasury Department regulations, and/or any other federal or state requirements.

Have a qualified appraiser determine your charitable gift's value. If the gift exceeds \$5,000, tax laws require that you get a written qualified appraisal of the value.

- As the donor, you are responsible for determining the value of the donation.
- You should use a qualified appraiser who follows the Uniform Standards of Professional Appraisal Practice (USPAP).
- The appraisal must be completed near the time of your gift — dated less than 60 days prior to the gift, or completed later and indicating the value as of the date of the gift (i.e. “effective date”).

Use IRS tax form 8283 to claim a deduction for a gift of land or land value. You should allow adequate time for each party to review and sign this before your filing deadline. This form is signed first by the appraiser, then it is signed by the receiving organization and returned to the donor. Many receiving organizations (including the Iowa Natural Heritage Foundation) request a copy of the appraisal to review before signing Form 8283.

Don't overstate your gift! Due to recent abuses of conservation tax deductions in other states, the IRS is now particularly watchful for charitable deductions based on inflated appraisals, inflated conservation benefits, insider deals and other suspicious transactions. Penalties can be severe.

Keep the official acknowledgment letter you receive in receipt of your gift. The IRS requires you to retain the letter with your tax records. This letter should be provided to you near the time of your gift.

The Iowa Natural Heritage Foundation does not provide professional tax advice or legal advice. We encourage you to hire professional advice as needed to assist your transaction and your deduction.

The Iowa Natural Heritage Foundation does not knowingly participate in projects where it has significant concerns about the tax deduction being claimed.

TAX CASE STUDY

More Iowans would permanently protect their land's resources if they believed they could afford to do so. Luckily, federal and state tax laws reward conservation donors for protecting public values like clean air and water, scenic views and habitat.

The following scenario follows a fictional couple, Joe and Mary Landowner, as they explore the financial effects of various protection options. It shows the significant difference between the couple's before-tax proceeds and after-tax proceeds. Because of these tax benefits, Joe and Mary's donation is more affordable than it first appears.

COMPUTING THE TRUE PROCEEDS

Joe and Mary have decided they don't want to continue owning their land, which has a fair market value of \$300,000. The couple is exploring the financial impact of three options: a sale at fair market value, a bargain sale and a full donation. If the couple is working with a qualified conservation group, any portion of the fair market value that they discount from the sale price qualifies as a tax-deductible donation to that organization. Bargain sales can be discounted by any percent or set dollar amount, but we've selected a 20% discount for this example. Thus, Joe and Mary would donate \$60,000 in land value through their bargain sale or \$300,000 through their full donation. Many landowners balk at this point, believing they can't afford such a large donation. However, when Joe and Mary calculate the tax savings associated with each option, their bottom line changes dramatically - as you'll see in the chart below.

NOTE: We had to make some assumptions about our fictional couple's land and finances to make these computations. Your results will vary, so always consult a tax professional.

JOE AND MARY'S AFTER-TAX PROCEEDS

	Fair Market Sale	Bargain sale (20% discount, \$60,000 donated value)	Full Donation
Sale Price (pre-tax proceeds)	\$300,000	\$240,000	\$0
Federal capital gains taxes paid (15% tax paid on any sale value over the \$100,000 basis. However, in the case of the 20% discount, the basis is proportionately decreased to \$80,000.)	-\$30,000	-\$24,000	\$0
Iowa capital gains tax paid (rate matches your Iowa income tax rate, in this case 8.98%, paid on any sale value over basis)	-\$17,960	-\$14,368	\$0
Federal income tax savings (25% tax savings for donated value)	+\$0	+\$15,000	+\$75,000
Iowa income tax savings (Iowa tax credit = 50% of donated value; maximum credit = \$100,000) (Iowa itemized deduction for remaining value of full donation = 8.98% of \$100,000)	+\$0 +\$0	+\$30,000 +\$0	+\$100,000 +\$8,980
After-tax proceeds	\$252,040	\$246,632	\$183,980

THE BOTTOM LINE

Comparing the bottom line of the table, Joe and Mary's sales proceeds of \$300,000 from the fair market sale decrease to \$252,040 after taxes. Meanwhile, the tax savings from the full donation are \$183,980.

Before taxes are taken into account, it appears that Joe and Mary have given away \$60,000 (bargain sale) or \$300,000 (full donation). However, their true cost changes dramatically once taxes are computed.

Comparing the bottom line of the table, Joe and Mary's sales proceeds of \$300,000 from the fair market sale decrease to \$252,040 after taxes. Meanwhile, the tax savings from the full donation are \$183,980. In other words, Joe and Mary's before-tax donation of \$300,000 actually cost them only \$68,060 in after-tax proceeds. Similarly, the difference in after-tax proceeds between the fair market sale and their 20% bargain sale (\$60,000)

is only \$5,408.

The results could be even more dramatic for donors in higher tax brackets—and it can be larger still for Iowans who have a gross taxable estate that's valued above the standard exemption.

While Joe and Mary's hypothetical case study shows only three of the protection options outlined in this booklet, similar savings can be realized from many of the other options as well. Remember, it is not how much you receive in a transaction. What counts is how much you get to keep after taxes.

THE OTHER BOTTOM LINE

Few conservation donors are motivated solely by tax savings. Most landowners explore conservation options because they want to protect land they know and cherish. Tax savings simply make it easier to do the right thing.

ESTATE PLANNING

Even if you don't anticipate estate taxes, make sure your estate goals and conservation goals are compatible.

Don't let your conservation actions threaten your financial priorities — such as retirement options, long-term health needs or planned gifts to your heirs. For example, if your land is your main source for paying potential long-term care costs, explore protection options like bequests that give you the flexibility to sell the land if needed.

Don't let your estate planning actions threaten your conservation priorities.

For example, if protecting your land is your top priority, but you haven't provided irrevocable protections, you or someone with power of attorney to manage your affairs could be forced to sell the land later to cover your long-term care expenses.

Less dramatically, we've been approached by several landowners interested in conservation who have already worked with estate planners to place their land in trusts that guarantee lifetime income, (such as charitable gift annuities, charitable remainder trusts and the like).

As some have learned to late, these trusts are required to return maximum value for the annuity—so it may be impossible to later add conservation protections that reduce value. Even when the annuity is managed by the conservation group that will get the land and other trust assets upon your death, it could be forced to sell your land in order to make payments during your lifetime. If protecting your land's natural resources is your primary goal, combine this option with a conservation easement or use another option entirely.

Estate planning is a wise move for anyone, but especially for people who own land or other large assets. Just make sure that you know your priorities, options and potential outcomes before locking yourself into a choice that you later regret.

A WORD ABOUT WILLS

A word about wills

Every adult, of any age, should have a will. It's one of those jobs that seems to have a distant deadline. In reality, we just don't know the deadline. Some people prefer not to reveal to beneficiaries that they are included in the will. While surprise can be a wise strategy in some situations, permanent land protection is not one of them.

Many conservation groups have horror stories about bequests they received with no advance warning or discussion. In some cases, their staff, the deceased's lawyer and descendants struggled to clarify vague bequest instructions like "use my land for conservation." In other cases, intended recipients had to reject a surprise bequest because the gift didn't fit their mission or came with so many restrictions and management costs that they couldn't afford to accept it.

To avoid such problems, talk with potential recipients before bequeathing land. This way, you'll have time to clarify goals, revise the will's language and/or choose another beneficiary.

LAND PROTECTION MYTHS

This section addresses some of the most common rumors and myths about land conservation. If you have additional concerns, contact a legal or tax professional, conservation group or other resource.

MYTH 1: PROTECTING MY LAND MEANS I'LL HAVE TO OPEN IT TO THE PUBLIC.

Some conservation options involve public ownership and use. Others—like conservation easements, mutual covenants or private preserve dedications—let you retain private ownership and private access/use. Still other conservation options—such as bequests or donations with reserved life estate—let you enjoy the rights of private ownership and use throughout your life. Full ownership doesn't transfer to your chosen beneficiaries until after your death—or until after the deaths of additional family members you designate.

MYTH 2: CONSERVATION BLOCKS EMINENT DOMAIN.

Conservation groups occasionally get desperate requests to implement protection options in order to block plans for a public road, man-made lake or similar project.

Protecting your land as a private or even public conservation area does not automatically block eminent domain. However, if you can show that your land has significant and unusual features—such as rare species or archeological remnants—you may be able to stop or mitigate the proposed takings. Conservation groups can offer advice on this process.

MYTH 3: CONSERVATION & AGRICULTURE CAN'T CO-EXIST.

Iowa conservationists know that most farmers care about maintaining their land's health and resources. We regularly meet Iowans whose land stewardship far exceeds environmental regulations and even some professional efforts.

Similarly, most Iowa farmers know that good conservation is also good for their bottom line. Careful erosion control can protect crop yields, the family fishing hole and the downstream water supply. Maintaining patches of wildlife habitat can provide a natural supplement to insect and rodent control, extra income from visiting hunters and a resting place for migrating birds. A conservation easement can make land more affordable for the next generation to keep farming.

Thus, Iowa conservation projects preserve not just natural landscapes but also farms and ranches, not just endangered species but also the endangered rural lifestyle and ethic that formed our state's identity.

MYTH 4: ALL CONSERVATION GROUPS ARE ALIKE.

Iowa has dozens of conservation groups—large and small, public and private, generalists and specialists. This variety can be confusing, but it can work to your advantage. While some conservation groups have no interest in purchasing your flood-prone fields, others seek this kind of low-lying ground to restore wetlands, buffer adjoining public land or maintain rural scenery. If state agencies don't think your land is suitable for a state park, your county conservation board might be thrilled to protect it as a wildlife area.

Conservation groups are also able to form temporary partnerships to complete specific land protection projects. For example, when landowners want conservation but need a quick sale, the Iowa Natural Heritage Foundation can provide temporary ownership while public conservation groups raise acquisition funds. These funds may come from still other conservation groups, such as Pheasants Forever, Ducks Unlimited, National Wild Turkey Federation, Audubon, Iowa Prairie Network, and the Sierra Club. Their dollars can supplement government grant programs like Wildlife Habitat Stamp or REAP (Resource Enhancement and Protection).

MYTH 5: I CAN'T AFFORD CONSERVATION.

Few Iowans can afford a 100% donation, but that's only one of many conservation options described in this booklet. While conservation may require financial sacrifice, tax savings can substantially reduce your true costs.

Still not sure? Try conducting this reality check on the balance between your financial, emotional and spiritual needs: How would you feel if your land were purchased by someone who strips away its natural resources and character?

For many Iowans, the next question is "Can I afford not to protect my land?"

STEWARDSHIP

In many cases, land protection can't be separated from land stewardship. A small prairie remnant can be protected from plows and bulldozers but then gradually lost to invasive species. In such cases, true protection requires active stewardship, such as prescribed burning. These practices mimic natural conditions—like prairie wildfires—under which these landscapes evolved.

Many Iowa landowners have devoted significant personal money and time to managing natural resources: hand-harvesting and planting native seeds, conducting prescribed burns, watering young trees, removing invasive species and providing natural habitat for all wildlife species. They don't want to see their work undone by simple neglect.

TALK IT OVER

If you are such a landowner, explore long-term stewardship options as part of your complete protection plan. Talk with your conservation partner about what long-term stewardship is needed, how it can be accomplished and how it can be funded.

Some conservation groups provide land management assistance during your ownership. For example, the Iowa Natural Heritage Foundation sometimes provides technical advice and even trained crews to assist landowners who have permanently protected their land.

To pay for long-term management costs, many conservation partners ask for an upfront donation or bequest. These funds can be invested and the proceeds used to cover ongoing management expenses.

HISTORY & ARCHEOLOGY

If you think your land is particularly beautiful or special, earlier human visitors probably thought so as well. That's why many of Iowa's finest natural areas also contain significant cultural and historic resources—from effigy mounds built by prehistoric cultures to pottery shards left by recent Native American tribes to architecturally unique barns built early in the last century.

Landowners can protect historical resources alone or as part of a larger conservation plan. Like conservation groups, historical groups have staff or volunteers who can talk with you, visit your land and help you better understand what you have and how to protect it. Most historical groups are authorized to accept land or land rights. They can also work in partnership with conservation groups.

TALK IT OVER

To protect a site where the main value is cultural, consider contacting an archeological or historical group. At the state level, contact the Office of the State Archeologist or the State Historical Society of Iowa. You can also contact local historical societies or specialized groups like the Iowa Barn Foundation. To protect the cultural resources as just one part of a larger natural resource, you may want to approach a conservation partner first. Either way, conservation and historical groups can work in partnership with you and each other.

TIPS TO A SUCCESSFUL LAND ESTATE PLANNING

It's easy to put off big decisions, such as who will own the land after you, but making that decision can ease your mind. Here are five tips to help ensure your vision is reached.

There is a deadline. None of us live forever. There is a deadline for taking action; we just don't know when it is.

An easy place to start. A simple will that names a beneficiary creates an immediate safety net for your land. As your plans become more concrete or your wishes or situation change, you can easily change or refine that bequest at any time.

Can your family afford to inherit your land? Keep tabs on estate tax laws. If estate taxes on valuable land are high and the land is your main estate asset, consider a conservation easement, which could lower your estate value and make it possible to pass it on and protect it.

Communication with your inheritors is key. Be sure your beneficiaries know your conservation values, reasons behind management choices and advice for caring for the land. If you bequeath to a non-profit or a conservation agency, discuss your restrictions to ensure that they will be able to honor your wishes.

Consider the impact of "Leaving it to the kids". When parents bequeath land in equal shares to their children without prior discussion, grieving siblings suddenly become business partners who must make land and money decisions together. This can damage family relationships if siblings cannot agree, and this could force the sale of the land.

GLOSSARY

Adjusted gross income (AGI): Your gross income minus business deductions, IRA and self-employed retirement deductions, and several other specialized items.

Appraisal: The estimated sale value of property as determined by an appraiser, based on sales of comparable property or income potential.

Bargain sale: Sale of land or interest in land to a tax-exempt organization at a price less than the full fair market value.

Basis: Your original purchase price (or value when inherited) plus the costs of certain improvements and less depreciation.

Charitable contribution (gift, donation): A gift of money or property to an IRS-qualified charitable organization or government entity.

Charitable Gift Annuity: A method of donating assets, including land, directly to a qualified charitable group, which is then responsible for making annual payments to the donor. In one variant to this option, donors can defer their annuity payments to a later date (such as retirement). The deferment increases the charitable contribution in the year you transfer the property and also your future annual payments.

Charitable Remainder Trust: A method of donating land or other assets to a third-party trust (managed by a bank or other financial institution). The trust handles the donor's annual payments and, upon his/her death, transfers the remaining assets to the designated conservation group. Depending on the donor's financial circumstances, goals and risk-tolerance, there are many trust variations, including the **charitable remainder annuity trust** (fixed annual payments), **charitable remainder unitrust** (floating annual payments based on an annual re-evaluation of the trust's assets) and a **flip trust** (which "flips" from one trust type to another based on the sale of land or another pre-determined trigger event). The flip trust can be combined most easily with a land protection option.

Conservation easement: A legal agreement between a landowner and a conservation group that permanently limits the uses of the land by you and all future owners in order to protect specified conservation values.

Conservation easement holder: A nonprofit organization or government agency that accepts a conservation easement and assumes the long-term legal responsibility for monitoring and enforcing its terms.

Conservation easement monitoring fund: A dedicated fund managed to support easement monitoring and enforcement. This fund is managed by an entity that holds conservation easements to ensure that adequate money will be available to take care of its easements over time.

Conservation groups, conservation partners: As used in the context of this booklet, these terms include nonprofit organizations and governmental agencies whose missions include permanent land protection.

Conservation values: Special natural and cultural qualities of a property, such as wildlife habitat, scenic views, public trails, productive agriculture and forestry, unusual natural features, unusual species and other qualities that are worthy of protection.

Deed restrictions: Covenants placed within a deed that limit certain future uses of the property.

Estate tax: A federal tax on the value of all assets owned at death. Estate tax is paid by the estate of the deceased person before assets are transferred to the heirs. The amount is based on your estate's size and any applicable deductions.

Fair market value: The price that a willing buyer would pay a willing seller, neither being under any compulsion to buy or sell and both being fully informed about relevant facts.

Gross taxable estate: The value of all assets in which the decedent has an interest, including real estate, stocks, bonds, cash, bank accounts, personal property and life insurance proceeds.

Inheritance tax: The tax paid by your beneficiaries to the State of Iowa. The percentage is determined by the size of the inheritance as well as the beneficiary's relationship to the deceased.

Land trusts: Non-governmental, nonprofit organizations involved in conserving land for its natural, recreational, scenic, historical and productive values. Land trusts work with landowners who are interested in protecting open space and use a variety of methods to permanently conserve land.

Life tenancy (life estate, life interest): See reserved life estate.

Mutual covenants: Written commitments exchanged among neighboring landowners in deeds or separate agreements.

Option to purchase: A right, for a stated period of time, to acquire a specific property at a specific price.

Remainder interest: The interest conveyed to a charitable or governmental organization by a donor who conveys property to the organization, but retains the right (for himself or others person(s) to live on or use the property for his lifetime or for a stated number of years. (The interest that is being retained by the donor is the reserved life estate.)

Reserved life estate: A right retained as part of a transfer of land whereby the owners or other individuals retain possession of the property during their lifetime. (See also remainder interest)

Right of first refusal: Agreement by an owner to offer a property to a specified individual or organization at the same price and terms as those in a future bona fide offer to purchase received by the owner.

Undivided interest: A fraction of the ownership interest in an entire property, where two or more owners share ownership of it.

*Many thanks to the Center for Land Conservation Assistance of Concord, N.H., for permission to reprint and adapt this glossary from their excellent publication: *Conserving Your Land: Options for New Hampshire Landowners*, 2005.*

POTENTIAL CONSERVATION PARTNERS

Iowa has many public agencies and private organizations with the qualifications and experience to protect your land in the manner you envision. Each group has its own mission, areas of responsibility, project criteria, favorite protection options and financial limits. For example, one organization might focus on land containing at-risk species while another prefers land adjoining state parks. One might work statewide while another works within a specific region. Take your time to find a good fit. Services are typically free, confidential and no-obligation.

PRIVATE NONPROFIT ORGANIZATIONS IOWA NATURAL HERITAGE FOUNDATION

505 Fifth Ave., Suite 444
Des Moines, IA 50309-2321
phone: 800-475-1846
e-mail: info@inhf.org
web: www.inhf.org

The Iowa Natural Heritage Foundation, a member-supported, nonprofit conservation group, is an expert in permanent land protection. In addition to accepting or arranging land donations and private conservation easements, the Iowa Natural Heritage Foundation assists landowners wishing to sell or donate property to public conservation agencies for public use. Since 1979, this statewide land trust has helped Iowans protect nearly 100,000 acres at more than 600 sites.

INHF staff can also provide information on wetland restoration, sustainable agriculture, water quality protection, land stewardship and other issues important to the permanent protection or enhancement of Iowa land.

THE NATURE CONSERVANCY

303 Locust Street, Suite 402 Des Moines, IA 50309
phone: 515-244-5044
e-mail: iowa@tnc.org
web: www.nature.org/iowa

The Nature Conservancy is an international nonprofit organization that preserves the diversity of the Earth's species and natural communities by protecting the lands and waters they need to survive.

TNC uses a wide variety of protection options and works with a wide variety of public and private partners. They've developed a scientific, systematic planning approach called Conservation by Design. In Iowa, the Conservancy concentrates on six ecologically important and threatened landscapes: Little Sioux Valley, Loess Hills, Grand River Grasslands, Lower Cedar Valley, Driftless Area and Upper Mississippi River. TNC works with landowners and partners through fee title acquisitions, cooperative purchases, conservation easements and best management practices.

LOCAL LAND TRUSTS

Consult your local phonebook or the Land Trust Alliance
1660 L St. NW, Ste. 1100
Washington DC 20036
phone: 202-638-4725
e-mail: info@lta.org
web: www.lta.org

Local land trusts are private, nonprofit landholding organizations that are established by citizens to protect land in specific towns, counties or regions. For example, Four Mounds Foundation holds land and an easement on a historic bluffland in Dubuque. The Indian Creek Nature Center holds land and easements in the Cedar Rapids area. The Johnson County Heritage Trust is exploring easement-holding options in their county. For assistance in finding local land trusts, check the state-by-state list on the national Land Trust Alliance website or contact the Iowa Natural Heritage Foundation for referrals.

PHEASANTS FOREVER

1783 Buerkle Circle
St Paul, MN 55110
phone: 877-773-2070
e-mail: contact@pheasantsforever.org
web: www.pheasantsforever.org

Pheasants Forever is a non-profit conservation group that enhances wildlife populations through habitat restoration, land acquisition, partnerships with agencies and conservation policy improvement. PF funds public and private land projects through its 104 Iowa chapters. Its Iowa staff of professional biologists and habitat specialists can assist landowners with habitat establishment and management. PF also accepts bequests, planned gifts, and other philanthropic donations through its Habitat Legacy Society. Since 1985 in Iowa, PF has

implemented nearly 82,000 habitat projects on over 755,000 acres and has helped agencies purchase 495 public wildlife management areas (adding more than 63,000 acres for hunting and other outdoor recreation).

FEDERAL GOVERNMENT AGENCIES

U.S. FISH AND WILDLIFE SERVICE

USFWS, Iowa Private Lands Office

PO Box 399

Prairie City, IA 50228

phone: 515-994-3400

email: jim_munson@fws.gov

web: www.fws.gov/search/index.html

The U.S. Fish and Wildlife Service acquires land or conservation easements on sites of sufficient importance to set aside as National Wildlife Refuges. Priority goes to sites that protect endangered species, are large enough to support significant segments of a biotic population, or are contiguous to property already within the refuge system.

Its Partners for Wildlife and private lands programs can help landowners develop a management plan for their land and may be able to share the costs.

NATURAL RESOURCES CONSERVATION SERVICE

Iowa NRCS State Office 693

Federal Building 210

Walnut Des Moines, Iowa 50309

phone: 515-284-4769

fax: 515-284-4394

web: www.ia.nrcs.usda.gov/

NRCS (originally called the Soil Conservation Service) helps private landowners conserve their soil, water, and other natural resources. NRCS has local offices in every Iowa county.

In addition to its 70-year history of helping landowners with land management, NRCS administers several permanent land protection programs.

To contact your NRCS office, check the federal government listings of your phone book or contact the state NRCS office for more information.

STATE GOVERNMENT AGENCIES

IOWA DEPARTMENT OF NATURAL RESOURCES (IDNR)

Wallace State Office Building

502 E. 9th Street

Des Moines, IA 50319

phone: 515-281-5918

e-mail: webmaster@dnr.state.ia.us

web: www.iowadnr.gov

The IDNR administers and protects Iowa's state-owned natural areas, preserves, waters, land, forests, parks and wildlife.

The agency is interested in land acquisition or conservation easements on sites that have significant natural resources, adjoin or are near publicly owned land, or are critical to watershed protection.

Meanwhile, the agency's Private Lands department provides assistance and funding to Iowans who want to invest in improved land management.

OFFICE OF THE STATE ARCHAEOLOGIST

University of Iowa

700 Clinton Street Building

Iowa City, Iowa 52242

phone: 319-384-0732

web: www.uiowa.edu/~osa/

The Office of the State Archaeologist is an organized research unit of the University of Iowa.

The OSA may hold and manage conservation easements and is available to provide consultation on natural areas in Iowa which contain archaeological sites.

THE STATE HISTORICAL SOCIETY

New Historical Building

600 East Locust St.

Des Moines, IA 50319

phone: 515-281-6412

web: <http://www.iowahistory.org/>

The State Historical Society, part of the Iowa Department of Cultural Affairs, is authorized to acquire and hold conservation easements when their purpose includes preservation of "cultural resources."

In addition to the statewide historical society, your local city or county might have a historical commission, which can also acquire and manage sites. Many local areas also have private historical societies. Check your local phone book or contact the statewide office for referrals.

LOCAL GOVERNMENT AGENCIES

COUNTY CONSERVATION BOARDS

Contact your county office (see phone book) OR
Iowa Association of County Conservation Boards
405 SW 3rd St., Suite 1
Ankeny, IA 50023
phone: 515-963-9582
web: <http://www.iaccb.com/>

All 99 counties in Iowa have county conservation boards. These agencies acquire and manage land for public recreation, assist and educate landowners with conservation management practices and provide many other services.

LOCAL SOIL AND WATER CONSERVATION DISTRICTS

Contact your county SWCD office (see phone book)
OR
Conservation Districts of Iowa
PO Box 801
1711 Osceola Ave - Suite 205
Chariton, IA 50049
phone: 641-774-4461
web: www.cdiowa.org

Soil and Water Conservation Districts are authorized to acquire by purchase, exchange, lease, gift, grant, bequest, devise or otherwise, any property, real or personal to carry out the conservation purposes of the agency.

MUNICIPALITIES

Municipalities may acquire land and conservation easements. Municipalities will vary in their level of commitment to land protection, so many landowners opt to partner with a conservation group as well.