



# LAND TRUST ALLIANCE

## NORTHEAST PROGRAM

### **A.7904/S.3520: The New York State Conservation Easement Tax Credit for Land Conservation**

#### **Summary**

During the past few years, New York State has enacted state income tax credits to reduce the impact of property taxes on residential homeowners (STAR) and farmers (Farmer's School Tax Credit). The Land Trust Alliance advocates creating a similar tax credit for owners of land protected by a conservation easement.

The Conservation Easement Tax Credit recognizes the ongoing public benefits provided by privately owned land that is permanently protected by a conservation easement. It helps landowners bear the annual costs of providing these public benefits by offering a state income tax credit for a portion of the property taxes paid on the protected land. It thus creates an important incentive for private landowners to voluntarily conserve their lands.

#### **Why a Tax Credit?**

When designing a tax incentive that provides meaningful economic benefit and motivation to a landowner, it is most effective to structure it as a tax credit. Unlike a tax deduction, which is an adjustment to taxable income, a tax credit offsets a taxpayer's tax liability on a dollar-for-dollar basis, up to the limits set by the relevant tax statute. Because most state income tax rates are relatively modest, a tax credit for land conservation offers significantly more benefit than a state deduction.

#### **How the New York Conservation Easement Tax Credit Works**

- In order to qualify for this tax credit, a landowner must: 1) file an annual New York State income tax return; 2) own land in New York State that is protected by a permanent conservation easement held by a qualified nonprofit land trust or by a state, local government, or federal agency; and 3) certify that the easement conforms to the requirements of New York State law (Article 49 of the Environmental Conservation Law) and federal regulations (Section 170 (h) of the Internal Revenue Service Code)
- The annual, refundable state income tax credit is equal to 25% of the combined town, county, and school taxes paid on the land during the previous tax year.
- The income tax credit is capped at \$5,000 per year for each qualifying taxpayer.
- The landowner continues to pay local town, county, and school taxes. There is no revenue loss to municipalities or school districts.

- Each qualifying conservation easement must be filed with NYSDEC, pursuant to Article 49 of the Environmental Conservation Law.
- The tax credit is available to individuals and corporations.

### **Benefits**

The Conservation Easement Tax Credit is designed to encourage the donation of conservation easements and to assist the owners of land protected by a conservation easement, who continue to pay the carrying costs of owning property that provides multiple public benefits. Its greatest impact is on those landowners who have modest incomes and are unlikely to benefit significantly from existing tax deductions. The Conservation Easement Tax Credit provides them with an incentive to make a gift of perpetually conserved land that they otherwise could not afford to make.

### **Cost**

If all 700 currently registered landowners with easement-restricted property claim an average annual income tax credit of \$2,500, the initial cost of the program will be approximately \$1.75 million. We estimate that, as additional conservation easements are established, the cost of the program will increase by 10% each year. As a tax credit, this program does not require an annual appropriation, but it will have a small impact on state income tax revenue.

### **Sponsors**

**Senate:** Senator Marcellino (primary); Senators DeFrancisco, Hoffman, Larkin, LaValle, Marchi, Maziarz, Meier, Mendez, Morahan, and Rath (cosponsors)

**Assembly:** Assemblymember DiNapoli (primary); Assembly members Bradley, Brodsky, Cahill, Canestrari, DelMonte, R. Diaz, Englebright, Grannis, Gunther, Hoyt, Magee, McEneny, Morelle, Paulin, Sidikman, Tocci, Tokasz (cosponsors).

### **Similar Programs**

The Conservation Easement Tax Credit is modeled after the New York Farmer's School Tax Credit. The states of Maryland and New Hampshire offer reduced assessments for land protected by a conservation easement.

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