

Doing Well by Doing Good in the High Country:
Distinctive Use of Conservation Easements In a Rising Tax Rate Environment

By Katherine S. Newton, CFP®, ChFC

There is plenty of natural beauty in the High Country and many efforts are under way to preserve that beauty. And even though you might not be aware of it as you travel along Highway 321, you are experiencing evidence of these preservation efforts right in front of your nose, efforts which are actively underway to benefit the citizens of, and visitors to, Watauga County.

I speak specifically of the Middle Fork Greenway, where many hard-working volunteer-citizens are working to "preserve an expanse of green space along the headwaters of the New River that will protect the natural, scenic, and cultural resources of the corridor and provide a trail for walking and bicycling between Blowing Rock and Boone." If you look as you pass by Tweetsie Railroad, you'll see a 2400 foot completed stretch set off from the parking lot by a split rail fence.

As part of the effort to create a cohesive pathway, **conservation easements** have been utilized in at least three instances to secure the necessary 20 foot wide corridor. As you'll see in a moment, in addition to the desire to protect the environment and create a space for citizens to be active and enjoy nature together, another valuable incentive exists to use this tool.

With tax rates up this year, the dollar value of the deduction that results from making a contribution of a conservation easement can go a lot farther.

What is the conservation easement? It is a voluntary restriction placed on the use of land for a conservation purpose which results in an agreement being forged between a charitable entity (such as a Land Conservancy or the Middle Fork Greenway committee) and the land owner. For example a land owner might agree to leave certain property as an open space, preserving scenic views or other significant natural characteristics. And for making that agreement, there are certain tax benefits available to the land owner.

Let's look at an example where using a conservation easement could create a sizable tax deduction or tax benefit for the donor/land owner.

Let's say for example that you own a piece of beautiful property – perhaps you've even been approached by a Land Conservancy or by the Middle Fork Greenway committee to help in the effort to create the Greenway –and that your property is valued at \$1 million. You agree to certain restrictions being placed on the property (you continue to own it but agree not to develop it, for example, and to allow the Greenway to pass through the property) which will preserve its natural beauty and scenic views. Because of those restrictions, the actual value of it is reduced. It no longer is worth \$1,000,000 but is appraised (by an appraiser qualified to make these types of judgments) at \$500,000 instead of the original \$1 million.

That reduction in the value, the difference between the original \$1,000,000 and the new value of \$500,000, actually becomes the charitable donation. In other words, in this example, for agreeing to certain restrictions on the piece of property, you will in effect be making a \$500,000 donation to the Land Conservancy or perhaps to the Greenway efforts.

At present, that \$500,000 deduction can be used against up to 50% of adjusted gross income (100% in the case of qualified farmers) and can continue to be used for another 15 years (or for a total of 16 years) or until it is gone. What follows is a simple diagram of how this could work:



These deductions and credits can mean lots of dollars back in the pockets – or portfolios – of donors and tax payers.

Note: Please remember that any of these ideas need to be discussed extensively with your personal tax and legal advisors before attempting to utilize them.

Bottom line: in light of the great natural resources in this area as well as the new increase in tax rates, there has never been a better time to consider helping to preserve the beauty of the High Country using conservation easements and receive tax benefits -- and more money in your pocket or portfolio-- at the same time.

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Katherine Newton, a 30-year veteran of the financial services industry and Certified Financial Planner™, crafts protectorates for her clients' wealth so they have peace of mind to pursue what's most important in their lives.

You can reach Katherine at her company Waite Financial in Hickory at 828.322.9595 or by email at

katherine@waitefinancial.com.

Her registered branch address is P.O. Box 1177, 428 4th Ave., NW, Hickory, NC 28603, 28601.

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