

December 2006

Dear Missouri Farm and Landowner,

On August 17, 2006 President Bush signed into law the Pension Protection Act of 2006.

This law, passed by a bi-partisan Congress, has provisions that positively impact urban-fringe, Missouri farmers and ranchers who wish to use income tax deductions from the donations of conservation easements.

The provisions of the law are only effective for 2006 and 2007.

The new law:

- Raises the deduction a landowner can take for donating a conservation easement from 30% of their income in any year to 50%
- Allows qualifying farmers and ranchers to deduct up to 100% of their income and carry-forward the unused deduction for up to 15 years.

What would be an example?

A Missouri landowner earning \$50,000 a year who donated a \$1 million conservation easement could take a \$25,000 deduction for the year of the donation and then for an additional 15 years. That would be \$400,000 in deductions. If the landowner qualifies as a farmer or rancher (or C-corp) they can zero out their taxes. In that case, they could take a maximum of \$800,000 in deductions for their million dollar gift.

What is a conservation easement?

A conservation easement is a legal pledge by an owner of land to never develop his or her property. The easement is dedicated to an IRS qualified, not for profit, land trust. The Missouri Farmland Preservation Trust (MFPT) is such an entity. Easement donors may continue to farm and receive income from their land, pass their land down to heirs and sell their land to anyone. The easement however remains on the deed of the property pledged for conservation. A conservation easement is private. Federal, state or county governments are not involved. Public access to your land may be forbidden. You simply cannot build a housing or commercial development on the land--ever.

What does it cost to donate a conservation easement?

Usually, very little. Expenses typically involve the fees of your attorney and tax advisor if you engage those professionals. A land appraiser is also involved to determine the value of your easement and ultimately the size of the tax deduction. The MFPT asks for a yearly donation of anywhere from \$500 to \$850 to assist it with overhead costs and working with the landowner or his or her professional advisors.

If the tax advantages or benefits don't appeal to you as a landowner you can still donate a conservation easement to the Missouri Farmland Preservation Trust for land preservation and/or estate planning purposes. Conservation easements are totally voluntary on the part of the farm or landowner.

What is the Missouri Farmland Preservation Trust?

The Missouri Farmland Preservation Trust is a volunteer-run, non-profit 501 (c) 3 land trust organization. We were founded in 1995 and our primary goal is to preserve and protect Missouri farmland and open spaces in urban fringe counties. MFPT is the entity that holds conservation easements pledged and receives deed to any flat out donations of farmland or open space. MFPT is one of about 1200 land trusts that exist around the nation and is mindful of preserving farmland for future generations.

For more information:

Contact the Missouri Farmland Preservation Trust website at www.mofarm.org and click on the links to the national organizations that we belong to: The American Farmland Trust or the Land Trust Alliance.

In addition you may contact your local USDA/NRCS office for general information on conservation and land preservation practices.

MFPT recommends that you also check with your attorney or tax advisor on this important matter.

Thank you for your interest.

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