

## *If I decide to donate land or a covenant for conservation, what financial benefits will I have?*

We work with landowners like you who want to leave a conservation legacy. This may involve a gift of cash, land or the donation of a conservation covenant. Your generous gift to a Land Trust or other Conservation Organization may result in various tax consequences for you as a donor. We can help create a conservation package that suits your needs and your personal and financial goals.

Donations made to a Land Trust or Conservancy offer a life time of benefit in knowing that you have helped protect the natural or cultural heritage of our province. However, these donations can create complicated financial consequences. The following is a basic outline to help you understand some of the tax implications involved.

### **Donations of Land**

The steps in determining how land is valued, and thus taxed, are:

- 1) The land is appraised for its current fair market value.
- 2) A charitable tax receipt then can be issued for any amount between the original cost of the land and the current appraised fair market value.
- 3) Except for the donation of a principle residence, this may result in a capital gain (the difference of the value of the land upon purchase and its current value). If there is a capital gain, 50% (25% if the land is deemed Ecologically Sensitive) must be included as income in the year of donation.
- 4) When land is donated to a charity (your local land trust), the charitable tax receipt they issue can be used to offset up to 75% of your income in the 1<sup>st</sup> year, with any unused portion carried forward for five years.
- 5) If a person has a low income, the income tax receipt is of limited value, except to offset this capital gain.

### **Conservation Covenants**

Similar to land donations, the first step is to have the land appraised. With a covenant, the appraisal will determine firstly the value of the land unencumbered, and then the value with the restricted use. The difference between the two is the value of the covenant. (This may lower the value of the covenanted land, and raise neighbouring land values.)



- Burrowing Owls

As with a land donation, a capital gain may occur on any increase in value of the covenanted area. However the conservancy or land trust can issue a charitable tax receipt for any amount between the original value of the covenanted area and the current appraised value of the area. This usually removes donors' concerns about taxable capital gains. Again this charitable receipt can be used to offset up to 75% of income in the first year, with any unused portion carried forward for up to five years.

### **Other Tax Consequences**

- ◆ There also may be property tax benefits for conservation covenants in B.C. Assessors in B.C. are specifically directed to give "consideration to any terms or conditions contained in a conservation agreement" in determining the actual value of the property.

- ◆ There is no land transfer tax applied to the registration of conservation covenants or the donations of lands to a registered charity in B.C.
- ◆ Farmers, homeowners and others may have capital gains exemptions.
- ◆ If the land is deemed as Ecologically Sensitive, the entire value of the donation can be claimed in the first year (as opposed to the 75% limit). Your land trust or conservancy can help you make the appropriate contact with an official designated by the Minister of Environment who can issue this Certificate.

#### Additional Exceptions

- ◆ Land held by charities may qualify for additional property tax reductions.
- ◆ Gifts of securities and cultural items have further tax reductions.

- ◆ Donations of land to a charity may also affect GST tax credits, pensions and other non-refundable credits.
- ◆ Charitable donations made in the year of death (a bequest), or the year preceding it, can be used to offset up to 100% of the individual's net income.

#### Donations of Cash

Of course, you can choose to donate to a conservation organization directly. Should you do so, you will receive a charitable tax receipt for the full amount. You can use this to offset the same 75% of your annual income, with the net being available for up to five years.

Be sure to contact your own financial and legal advisors before donating lands or covenants. Each case is very specific and you need to be sure of the implications before proceeding.

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Pacific Tree Frog

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# Tax Benefits

of your  
Conservation  
Donation