

Saving Money Through Land Conservation Programs

By Robert Barnett

A carpet of trilliums in a protected woodland. Photo by Mike Davis

Programs have been established over the years to help and motivate landowners to practise conservation on their property. Here is an introduction to several such programs, with examples of how they might actually work.

We have used fictitious names in our examples, but in all cases we have used these same assumptions:

Landowners own 100 acres of rural land of which 50 acres are farmland and 50 acres are ecologically sensitive forest and wetland.

We do not include the value of the house and barn in these examples.

- ◆ Value of farmland: \$100,000
- ◆ Value of ecologically sensitive land: \$100,000
- ◆ Annual rental value of land: \$100/acre
- ◆ Tax savings provide a tax receipt value of 46%

Please note that these assumptions are for illustration only, and a detailed valuation is required. If your land is worth more, your savings will be greater. Consult your land trust and financial advisors to determine the savings for your property.

Canada-Ontario Environmental Farm Plan (EFP)

Adopt sustainable practices and improve the environmental conditions of your farm.

EFP uses assessments voluntarily prepared by farm families to increase their environmental awareness of their farm's operation. Through the EFP's local workshop process, farmers highlight their farm's environmental strengths and identify areas of environmental concern. Environmental cost-sharing programs are available to assist in implementing projects.

Example: Sally and Sam Blue were able to fence cattle out of their stream with a grant from EFP of \$5,000, which was half the cost of the fencing.

MORE INFORMATION: www.omafra.gov.on.ca/english/environment/efp/efp.htm

Conservation Land Tax Incentive Program (CLTIP)

Retain your land and save taxes by becoming a steward of your land.

CLTIP recognizes, encourages and supports long-term private stewardship of Ontario's provincially significant lands by providing property tax relief to landowners who agree to protect the natural heritage values (provin-

cially significant areas of natural and scientific interest, wetlands, and the habitat of rare and endangered species) on their property. Landowners are offered 100 per cent tax exemption on that eligible portion of the property. Participating landowners retain full ownership and property rights. They agree to leave their land in its natural state for 10 years.

Example: Vera and Vern Green agree to protect their 50 acres of environmentally sensitive land, getting a tax reduction that saves them about \$1,000 a year.

MORE INFORMATION: www.mnr.gov.on.ca/en/Business/CLTIP/index.html

Managed Forest Tax Incentive Program

Save taxes by managing your forest.

The Ministry of Natural Resources's (MNR) managed forest program provides lower property taxes to participating landowners (with four hectares or more of forest land) who agree to retain and actively manage their forests. Under the program, landowners have their property reassessed and classified as managed forest and taxed at only 25 per cent of the municipal tax rate set for residential properties. Landowners must prepare and follow a managed forest plan

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that has been approved by an individual certified by MNR as a Managed Forest Plan Approver.

Example: Mary and Mark Brown are following an approved plan to encourage the growth of desirable species of trees in their 50-acre forest, while thinning out dead-wood and undesirable species. This saves them \$750 in taxes per year.

MORE INFORMATION: http://www.mnr.gov.on.ca/en/Business/Forests/2ColumnSubPage/STEL02_166346.html

Example: Donna and Doug Red decided to reforest a portion of their property to increase the interior forest habitat needed by endangered songbirds. The cost of reforestation of 10,000 trees, around \$12,000, was paid by the program.

MORE INFORMATION: http://www.mnr.gov.on.ca/en/Business/Species/2ColumnSubPage/STEL01_131229.html

Stewardship Council Programs

Choose from a variety of programs approved by

organization, Escarpment Biosphere Conservancy (EBC) offers the following options to landowners.

Land Donation

Donations of ecologically significant land can be exempt from capital gain taxes. Otherwise, 50 per cent of the gain in the value of land is taxed as income.

Example: George Ginger, who has no children, donated his 50-acre woodlot and received an income tax receipt for \$100,000. This saved paying \$46,000 and exempted him from \$16,000 capital gain tax on the land donated.

Conservation Agreements

A conservation agreement is a voluntary agreement between a landowner and a qualified agreement holder such as a land trust or conservation organization, that limits the amount and type of development which can occur on a property, in order to preserve its natural character and agricultural potential. Typical agreements suggested by landowners rule out additional severances or subdivisions, gravel pits, water taking and golf courses, while allowing the landowner to continue farming. The owner can bequeath the land to his children or eventually sell the land, while the restrictions bind all future owners to the same rules.

Example: Flora and Frank White donated a conservation agreement on their farm. The value of their receipt was \$100,000. This saved them \$46,000 in income tax and \$16,000 in capital gain tax. The value of the land is reduced by \$100,000, reducing capital gain and making it less expensive for their children to acquire the land.

Ecological Gifts Program

Ensure that donated land is protected in perpetuity by certifying land donations as ecological gifts.

Private and corporate landowners who donate land or a conservation agreement through the federal Ecological Gifts Program can receive a tax receipt for the value of the donation, which can be used against 100 per cent of their annual income and against capital gain, spousal or RRSP income. The unused portion of this receipt can be carried forward for up to five years. Capital gain on donated land or agreements is exempt from income tax.

Environment Canada certifies the ecological sensitivity of the land donation and the fair market value of the donation. The donation is then considered an ecological gift under the Income Tax Act and qualifies for these benefits.

MORE INFORMATION: Environment Canada Ecological Gifts brochure



Marsh marigolds in wetland. Photo by Mike Davis

Farm Property Class Tax Rate Program

Take advantage of tax rebates offered by the Ministry of Agriculture, Food and Rural Affairs.

Qualifying active farm properties are identified in the Farm Property Class and will be taxed at only 25 per cent of the municipal residential/farm tax rate. The farm residence and one acre of land surrounding it, will continue to be taxed as part of the residential class.

Example: Betty and Bill Silver have their working farm included in the program, and are saving about \$1,500 annually.

MORE INFORMATION: http://www.mnr.gov.on.ca/en/Business/CLTIIP/2ColumnSubPage/STEL02_167423.html

Species at Risk Program

Get paid for protecting endangered species on your land.

The Species at Risk Stewardship Program includes education and outreach, incentive programs to support private landowners, and funding for stewardship activities. With many of Ontario's species at risk found on private lands, voluntary conservation efforts are essential to the recovery of species at risk. The program's fund supports greater public involvement in all kinds of species-at-risk protection and recovery activities, providing \$18 million to eligible projects.

Ontario's Stewardship Councils. They include stream restoration, habitat improvement, restoration of former gravel pits and other projects which meet community needs.

Example: Nancy and Norm Gold wanted to restore their stream to its former cold water status by removing beaver dams and fallen trees. They were able to access funds from this program to get volunteers, rental equipment and some professional staff to plan the restoration of their stream.

MORE INFORMATION: www.mnr.gov.on.ca/en/Business/ClimateChange/2ColumnSubPage/STEL02_200802.html and www.treesontario.on.ca.

Ontario's Plant a Tree Challenge

Fight climate change by planting trees, which also adds to your property value and creates important wildlife habitat.

MNR works with Trees Ontario, a not-for-profit tree planting organization, to help rural landowners reforest their property. Rural landowners may be eligible for a subsidy to help pay for tree planting.

Conservation Agreements or Saving Money by Donating Land

Landowners who wish to conserve their land in perpetuity may opt to donate, sell or sign an agreement with a land trust or conservation organization. As a qualified conservation

Split-receipt/Bargain sales

Donate part of the value of your land or enter into a conservation agreement and receive cash for the remainder. A tax receipt is issued for the donated portion. A land trust/conservation organization can often pay cash for the remainder of the value. The minimum permitted donation is 20 per cent.

Example: Hetty and Henry Yellow donated half the value of their 50-acre woodlot, and received \$50,000 in cash and an income receipt for \$50,000. This saved them from paying \$23,000 in income tax and \$8,000 in capital gain taxes.

Conservation Severance

Donate or sell part of your land to a conservation organization using a conservation severance.

Example: Polly and Peter Mauve donated their 50-acre woodlot to a conservation group to establish a nature reserve for perpetuity. They kept their home and farmland and received an income tax receipt for \$100,000, saving \$46,000 in income taxes and \$16,000 in capital gain tax.

Transfer through a will

Bequeath your land to a conservation organization as a primary or secondary beneficiary.

Example: Laura Aqua bequeathed her land to a land trust. Her estate will receive a tax receipt for \$200,000 to be used

against income in the year of her death or against capital gain tax. This could save the estate as much as \$128,000 in taxes.

Life estate

Transfer land now to a conservation organization and live on the land for a specified period or for the rest of your life. The value of the continuing use will be subtracted from the value of the property donated.

Example: Rose and Ron Pink donated their land and are continuing to live on it. With an assumed annual "rental" to family members of \$10,000 and an expected lifetime of 10 years, they will receive a receipt for \$200,000 less a discounted rental of about \$50,000. That will save them \$96,000.

Management of conservation land

Make sure that your land will be protected over the long term by the conservation organization. EBC can provide a management plan or covenant to assure this.

Donations to secure property

Have property you care about, acquired for conservation.

Donation programs are available to help acquire land for conservation or to help land-

owners "sell" their property to a conservation organization. By donating securities or flow-through shares, the value of the donation may be enhanced to the extent that the land trust becomes a logical purchaser. Often the land trust can identify donors or foundations or government grants to provide some or all of the funding to acquire the property. This idea is especially applicable in a community where various landowners wish to ensure that adjacent land is kept undeveloped as a community common space for hiking and nature walks. You can also "sell" your own property to the land trust and they can purchase it with your donated cash. You could also purchase a large property and help the land trust acquire part of the land. This saves the vendors' capital gain taxes.

Example: Wanda and Will Orange wanted to prevent land next to theirs from being developed. They donated \$100,000 to the land trust and saved \$46,000 in income taxes. The land trust bought the land next door. ■

Bob Barnett is Executive Director of the Escarpment Biosphere Conservancy, which since 1998 has conserved 6,904 acres in 81 properties from Caledon to Manitoulin. For more information, see www.escarpment.ca.