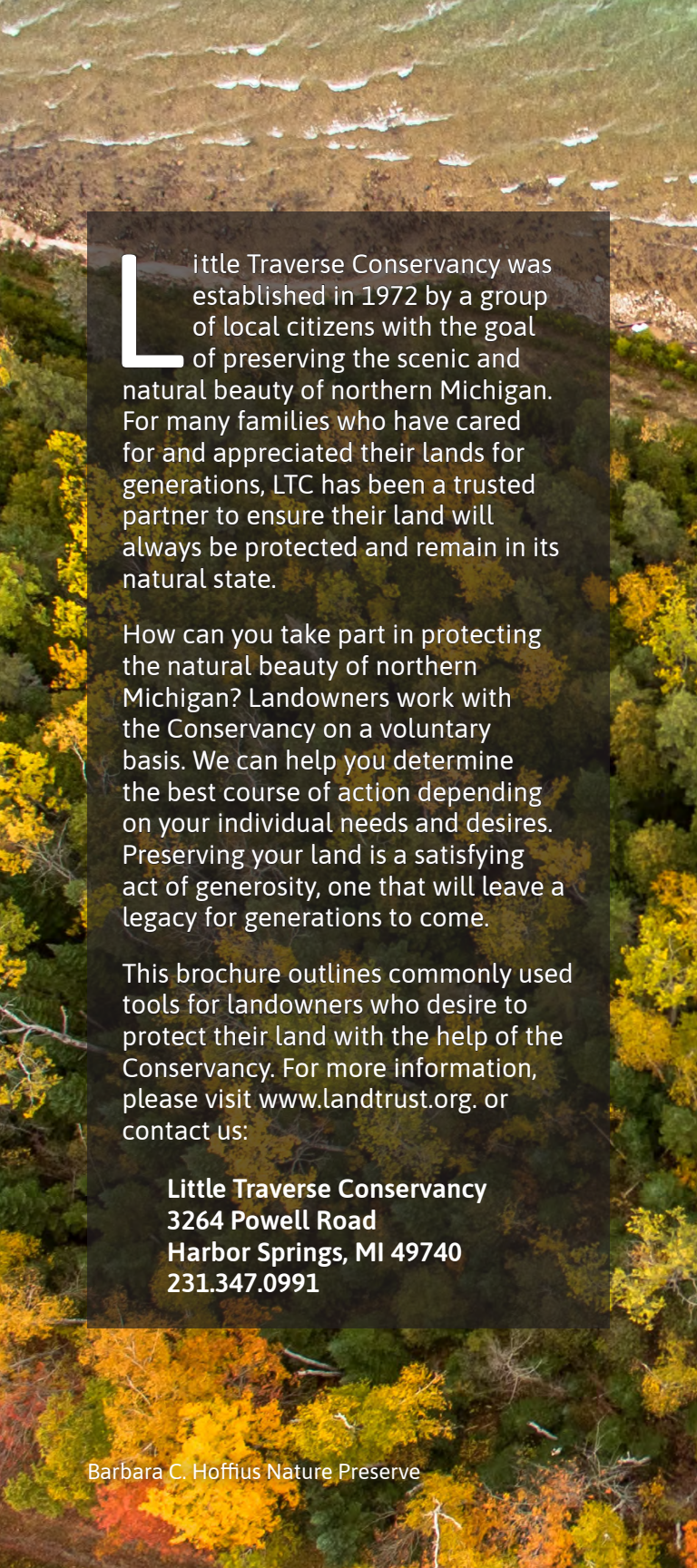




PROTECTING YOUR LAND

CONSERVATION OPTIONS
FOR THE NORTHERN
MICHIGAN LANDOWNER

An aerial photograph of a forest with a lake in the background. The forest is dense with trees, some of which have yellow and orange foliage, suggesting autumn. The lake is visible in the upper portion of the image, with a sandy or rocky shoreline. The text is overlaid on a dark, semi-transparent rectangular background.

Little Traverse Conservancy was established in 1972 by a group of local citizens with the goal of preserving the scenic and natural beauty of northern Michigan. For many families who have cared for and appreciated their lands for generations, LTC has been a trusted partner to ensure their land will always be protected and remain in its natural state.

How can you take part in protecting the natural beauty of northern Michigan? Landowners work with the Conservancy on a voluntary basis. We can help you determine the best course of action depending on your individual needs and desires. Preserving your land is a satisfying act of generosity, one that will leave a legacy for generations to come.

This brochure outlines commonly used tools for landowners who desire to protect their land with the help of the Conservancy. For more information, please visit www.landtrust.org. or contact us:

Little Traverse Conservancy
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Harbor Springs, MI 49740
231.347.0991

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Waldron Fen Nature Preserve / Todd Parker


Why Protect Your Land?

When Nancy and Jack Waldron acquired a piece of property where they could enjoy nature and their love of birding, they didn't fully realize what an ecological treasure they had found in the 78 acres they purchased in 1992.

As they began to add more acreage over time and invite others to explore and study their land, the special place became known as "Waldron Fen." The unique aspects of the property became more and more apparent, as did Nancy and Jack's desire for this place to be protected forever.

The Waldrons originally protected Waldron Fen with a conservation easement in 2001, and later made the decision to donate the now 147-acre property as a nature preserve. This ensured its long-term stewardship under the care of LTC.

When asked how it feels to now have the land protected as a nature preserve,



"There is hardly an acre that does not tell its own story to those who understand the speech of hills and rivers."

- Aldo Leopold, from "The Virgin Southwest"

Nancy replied, "I am delighted. It has always been shared like a preserve and now we know it is in good hands and will be cared for and appreciated for the long term." When she looks around, she can see the years of loving work that she and Jack, who passed away in 2013, put into the land.

Because of the generosity of Nancy and Jack Waldron, nature groups take field trips to the preserve, students visit the fen to study its unique aspects and species, birding enthusiasts have documented 124 species of birds, Sandhill Cranes have nested at the fen nearly every year for the past 20 years, and habitat for neotropical migratory songbirds continues to be improved.

The decision to protect your land is a very generous act that has a far reaching impact. This impact is felt not only by the species that can or do live there, but also by the entire community and future generations who will benefit from the natural and scenic beauty of northern Michigan that will be preserved and protected forever.



Choosing the Best Option for Your Land

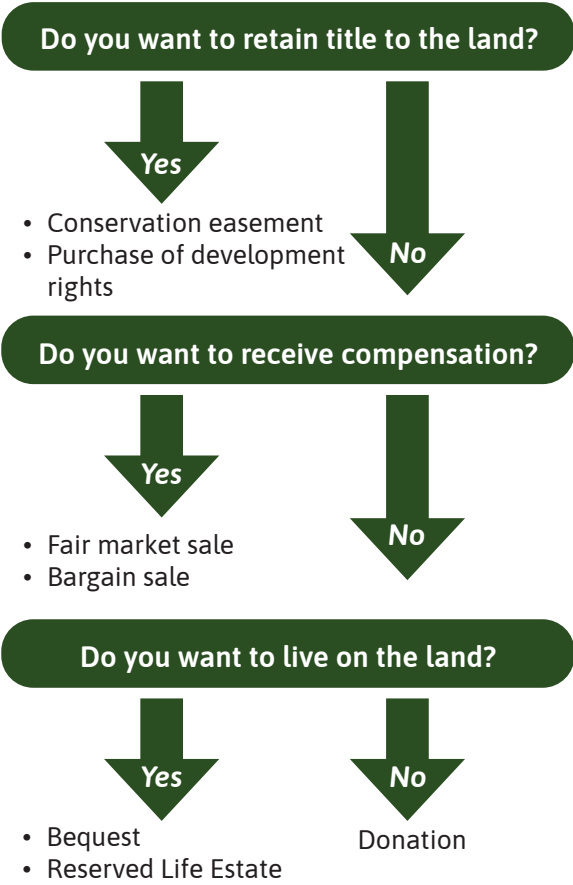
You have an opportunity to paint a picture of what the future will look like in northern Michigan. Land and conservation easement donors, and those who sell their land to LTC, help to ensure that this place will look as beautiful in 50 years as it does today. They are investing in clean air and water, diverse and healthy wildlife, and natural spaces for everyone to enjoy now and forever.

Consider the special features of your property, your land conservation values, your financial situation, and your family's needs and wishes as you assess the chart to the right to make the best decision for you and your land.

Each land protection project is unique, and the Conservancy is here to guide you through the entire process. We welcome you to contact our office for additional information.



Nathan "Barry" Driggers Memorial Nature Preserve
TMPetersen





**ELIZABETH B. HOFFMANN
NATURE PRESERVE**

Est. 2017

**PROTECTED
NATURAL AREA**
Since 1980, the
Little Traverse Conservancy
has been protecting
this area. The
conservancy is a
501(c)(3) nonprofit
organization. For
more information,
visit www.littletraverse.org

Protect Your Land By Transferring Ownership

Many of the Conservancy's preserves and reserves were either partially or fully donated by generous, private landowners. These lands are beautiful gifts for the community to access and use, family legacies that last through generations, and a critical part of protecting the natural beauty and ecological value of northern Michigan.

Along with potentially providing financial benefits, transferring ownership of your land will also transfer responsibility of managing the land. Landowners can take confidence in the fact that the land will be permanently protected, and that the Conservancy will be wise stewards of the land into the future.

There are several methods to consider if you wish to transfer the ownership of your land to the Conservancy.

Nature Preserves and Working Forest Reserves

The Conservancy prioritizes land with ecological, scenic, and/or conservation value. Lands are then designated and managed as nature preserves or as working forest reserves, depending on the composition of the land and donor wishes.

LTC preserves are protected lands that are maintained as wild areas with limited active habitat management compared to LTC working forest reserves where active habitat restoration and sustainable forestry practices aim to improve wildlife habitat and forest health.

All properties owned by LTC are open to the public for low impact, nature-based recreation and many are open for hunting.

Donation of Land

Land can be donated in a number of ways. An outright, immediate gift of land to the Conservancy gives a donor the satisfaction of seeing the preserve or reserve established. Donors of land have the honor of naming the preserve or reserve, often dedicating the property to loved ones. These charitable gifts may be claimed as income tax deductions.

Reserved Life Estate

Through a reserved life estate, land is donated to the Conservancy immediately, but the landowner reserves the right to live on or use the property for their lifetime. Property taxes are paid by the landowner, and public access is not allowed until the landowner passes on. This also results in an income tax deduction, but the value of the gift is reduced to account for the life estate.

Bequests

Land can also be donated by bequest. Leaving land to the Conservancy in your will allows you to retain full use and control of the property during your lifetime, yet ensures its care after you are gone. Because all gifts of land must be accepted by the Conservancy's Board of Trustees, we encourage potential donors to share their plans with the Conservancy to ensure the gift meets our conservation criteria.

Bargain Sale

Under a bargain sale, a landowner agrees to sell to the Conservancy for less than the fair market value of the land. The difference between the land's value and the amount paid is considered as a charitable gift.

Fair Market Sale


In certain circumstances, the Conservancy will purchase land for the purpose of creating nature preserves or working forest reserves. A local fundraising campaign is often a critical component to the success of any land purchase.



Steps for Donating or Selling Your Land to LTC

Land transactions can be as unique as the properties they protect. Below is an outline of common steps. We are here to help make the process clear and easy.

	Responsibility	
	Landowner	LTC
Step 1: Evaluate the property to determine if it meets criteria for a preserve or reserve.		✓
Step 2: Create purchase agreement or explore funding possibilities.	✓	✓
Step 3: Retain appraisal, environmental analysis, and title search.		✓
Step 4: Submit project to LTC Board for approval.		✓
Step 5: Review with legal counsel and tax advisors.	✓	✓
Step 6: Close the purchase; ownership transfers to LTC.	✓	✓
Step 7: Obtain a "qualified appraisal" (if claiming a federal tax deduction of more than \$5000).	✓	
Step 8: Name the new preserve or reserve (if donating the land or donating 30% of the appraised value).	✓	



"LTC helped us achieve our goals of placing a conservation easement on our land. It has been a wonderfully rewarding relationship. So much so that we are hoping to someday donate the land to LTC for a public preserve."

- Joanne Cromley
Conservation Easement Owner

Jack and Tucker Harris Working Forest Reserve



Protect Your Land By Retaining Ownership *The Conservation Easement*

The conservation easement is an ideal tool for landowners who want to preserve their land's natural beauty and shape future use, while maintaining private ownership. A conservation easement is a voluntary agreement that allows a landowner to limit the type or amount of development on their property. It is a legal document agreed upon and signed by the landowner and the Conservancy. The Conservancy accepts the easement with the understanding that it must enforce the terms of the easement in perpetuity. After the easement is signed, it is recorded with the County Register of Deeds and applies to all future owners of the land.

One way to visualize a conservation easement is to think of owning land as holding a bundle of rights. Each one of those rights represents the landowner's ability to do something with their property. The right to subdivide, build, and to extract minerals are all rights that the landowner has. A



Crothers Farm Conservation Easement / Todd Parker

landowner may give up some of these rights through a conservation easement to protect the land's natural values.

Conservation easements offer great flexibility. An easement on a property containing rare wildlife habitat might prohibit future development, for example, while one on a farm might allow continued farming and the building of additional agricultural structures. As long as the conservation values of the property are protected, landowners can create an easement that allows them to live on the land, cut timber, create trails, continue to farm, and so forth. Families often comment that they do what they have always done on their land, only now with the peace of mind knowing the conservation values will always be protected.

The primary motivation behind a conservation easement must be conservation. In addition to this, landowners may also enjoy financial benefits. Several provisions in state and federal tax laws make this possible.

Each conservation easement is unique to the landowner and their goals. The Conservancy is here to help create the best option for you.



Wilson Maple River Conservation Easement / Todd Parker

Donation of a Conservation Easement

Donating a conservation easement is a substantial gift that allows landowners to protect their land forever while also retaining ownership of their property. Donating an easement may also provide significant tax and estate planning advantages to the donor.

Purchase of Development Rights

The Conservancy also considers the purchase of conservation easements in a few restricted circumstances. Funding for Purchase of Development Rights (PDR), which is another way of saying purchase of a conservation easement, is often driven by local, state, or federal land conservation initiatives.

Bequests

Conservation easements can also be donated through a will. We encourage all potential donors to work with the Conservancy to ensure that their conservation goals can be met through a bequest.

Farmland Protection

Farmland provides a critical part of our scenic landscape, along with economic and ecological benefits. In some areas, funds are available through local, state and federal programs to support farmland protection by purchasing conservation easements.

This can be an ideal way for farmers to access a portion of their land equity while maintaining ownership and agricultural use of the land. Cash from the sale of development rights can be used to reduce debt, lower operating costs, improve farm operations, support retirement, or any purposes the individual wishes.



Frequently Asked Questions

The following section highlights questions and topics a landowner should consider before deciding to conserve and protect their land through a conservation easement.

How long does a conservation easement last and who upholds it in the future?

The easement is perpetual; it lasts forever and is permanently part of the property. The Conservancy monitors the property once a year to ensure that the easement terms are not being violated. If an easement restriction has been breached, the Conservancy is required to take steps to uphold the terms of the easement, including legal action.

What kind of land can be protected by a conservation easement?

Many types of land can be protected by a conservation easement including forests, wetlands, endangered species habitat, beaches, scenic areas, and more. IRS regulations require that the property has “significant” conservation value, and the Conservancy has its own criteria for accepting easements. Ultimately, the Conservancy’s Board of Trustees decides which easements to accept.



Hoogland Family Nature Preserve / The Wandering Fawn

Does the conservation easement have to cover all of the landowner's property?

No, an easement may apply to just a portion of the property, the entire property, or it can set aside an excluded zone within the property for a future building.

Does the public have a right of access to easement-protected property?

The public does not have access to property protected by an easement unless the original landowner who grants the easement specifically allows it. Most easement donors do not allow public access to the property.

What activities are allowed on land protected by a conservation easement?

The activities allowed by a conservation easement depend on the landowner's wishes and the characteristics of the property. See pg. 20 for common conservation easement terms.

Can the landowner still sell or give the property away?

Yes, the landowner continues to own the property. They can sell, give, or lease the property; however, all future owners must abide by the conservation easement terms.

Sample Conservation Easement Terms

The following are examples of common conservation easement provisions:

Commonly Reserved Rights

- The right to sell, mortgage, gift, or otherwise convey the property.
- The right to agriculture and forestry.
- The right to construct and maintain trails.
- The right to construct deer/wildlife blinds.

Common Restrictions

- No buildings allowed except those specified in the easement document.
- No draining or filling of wetlands.
- Limited future division of the property.
- No industrial or commercial use.



The Cohens protected their land with a conservation easement in 2017. Photo by Todd Parker.

Steps for Donating a Conservation Easement

	Responsibility	
	Landowner	LTC
Step 1: Tour the property to determine if a conservation easement is appropriate.	✓	✓
Step 2: Determine restrictions and draft the easement.	✓	✓
Step 3: Submit project to LTC Board for approval.		✓
Step 4: Landowner consults with legal and tax advisors.	✓	
Step 5: Prepare baseline documentation.		✓
Step 6: Obtain a record of title and mortgage information.		✓
Step 7: Obtain a "qualified appraisal" (if claiming a federal tax deduction of more than \$5,000).	✓	
Step 8: Sign and record a final version of the conservation easement.	✓	✓
Step 9: Conservation easement is monitored annually.		✓

Tax and Financial Considerations

In Michigan, thanks to a law passed in 2006, lands encumbered with a conservation easement can now be transferred without a “pop-up” in the property taxes. This means that when the land is sold, donated, or inherited, property taxes will remain “capped” and the new owner will be paying property taxes based on what the original landowner was paying. This provision does not apply to value of buildings or structures.

In some cases, the conservation easement may reduce the value of the property to a level less than the current assessment. This could translate to lower property taxes for the landowner who donates the conservation easement, but each case must be carefully assessed and appraised to determine possible property tax impacts.

If the conservation easement meets the requirements of the IRS Code Section 170(h), it may be considered a “non-cash gift” for federal income tax purposes. The amount of this gift would be established by a qualified appraisal, ordered by the donor, that determines the value of the property before the conservation easement (the “before value”) and the value of the land subject to the terms of the conservation easement (the “after value”). The difference between the before value and the after value is the amount that potentially could be deducted from the landowner’s income taxes. IRS regulations allow the landowner to deduct a percentage of their adjusted gross income for each year over a period of time.

As of 2015, eligible conservation easement donors can deduct up to 50% of their adjusted gross income (AGI). The deduction can be spread over up to 15 years. Qualified farmers can deduct up to 100% of their AGI.

There are many factors involved when considering whether to pursue a federal income tax deduction for a donated conservation easement. While the Conservancy will always show how we interpret that a conservation easement might meet the IRS code, it is the landowner who bears the burden of proof should they be audited. Landowners should consult their personal tax advisors and a qualified appraiser before deciding to pursue a federal income tax deduction.

In certain situations, estate taxes might also be reduced if the conservation easement meets the IRS code mentioned above and if it reduces the overall taxable estate. Again, this can be a complicated process and landowners should consult with experts as to how a conservation easement might affect their estate tax situation.

Costs to Landowners

The landowner may incur some expenses associated with placing a conservation easement on their property. If the landowner claims a tax deduction and the easement is worth more than \$5,000, the landowner is required to hire a qualified appraiser to determine the value of the conservation easement. In addition, the Conservancy invites conservation easement donors to make a financial contribution to the Conservancy's Easement Endowment Fund. This contribution helps offset the expenses of executing the conservation easement and the long-term costs associated with monitoring and enforcing the easement. Making an endowment contribution is encouraged, but not required by the Conservancy.



PROTECTING THE NORTH COUNTRY WE ALL LOVE

2021 *edition*