CLARKE COUNTY
CONSERVATION EASEMENT AUTHORITY
Determination of Payment for Conservation Easement – Owner Income
May 2006, Amended October 2008, March 2011, April 2016

Once a property owner confirms in writing their interest in selling an easement, the Authority will make a determination of the value of the easement for purposes of a purchase of the easement. The Authority will ask the owner to provide their average annual adjusted gross income in each of the three most recent tax years. The amount to be paid for the easement is adjusted based on the income of the owner. Lowest-income owners may be offered up to the full value of the easement. Middle-income and higher-income owners are offered a progressively reduced (see following chart). All income information is kept confidential and the privacy of the owner respected.

The purpose of adjusting the purchase price by income is to focus the available funds toward lower- and middle-income property owners. Higher-income owners who donate easements may benefit from a federal charitable tax deduction and a Virginia tax credit. Lower- and middle-income owners benefit less, or not at all, from a tax deduction of a donation because of their lower income. The following chart takes into account the relative financial benefits of easement donation for owners in the $55,000 to $205,000 and higher income range. The higher the owner's income, the greater financial benefit he or she would receive from the tax benefits by donating an easement. The lower the owner's income, the more money he or she would need to obtain a comparable financial benefit for conveying an easement.

The property owner is informed of the purchase price which will be offered for the easement. The remainder of the value of the easement may be eligible for a federal tax deduction (as a charitable donation) and a Virginia tax credit. Once a purchase price is agreed upon, the Authority then submits the proposed purchase to the Board of Supervisors for approval.

There are two purchase options, first, a DUR purchase, where applicants are offered up to $40,000 per DUR retired and second an appraised value purchase. With a DUR purchase local funds are matched 50-50 with VDACS funds to purchase the easement.

The purchase offer of a DUR purchase is calculated by multiplying the purchase offer by the applicable percentage set forth in the table below. The average annual adjusted gross income is based on the aggregate of the annual adjusted gross income of each owner of record and the members of each owner's household for each of the three most recently filed tax returns. In the case of a parcel owned by an entity such as a corporation, partnership, limited liability company, trust, or estate, the average annual adjusted gross income of the owner is based on the weighted average of the annual adjusted gross incomes of the shareholders, partners, members, grantor, beneficiaries, or decedent, as the case may be.

In the case of an appraised value easement purchase the local share cannot exceed the applicable percentage. However the Federal and State grants share will be applied at full grant value, with no consideration of owner income.

Average Annual Adjusted Gross Income	Percentage of Easement Value
$ 0 - $55,000	100%
$55,001 - $65,000	94%
$65,001 - $75,000	88%
$75,001 - $85,000	82%
$85,001 - $95,000	76%
$95,001 - $105,000	70%
$105,001 - $115,000	64%
$115,001 - $125,000	58%
$125,001 - $135,000	52%
$135,001 - $145,000	46%
$145,001 - $155,000	40%
$155,001 - $165,000	34%
$165,001 - $175,000	28%
$175,001 - $185,000	22%
$185,001 - $195,000	16%
$195,001 - $205,000	10%
$205,001 or more	4%

Purchases from Nonprofits – The Authority may offer payment of up to 25% of the value of the easement.

Example Determination of Conservation Easement Value – Owner Income

Part of determining how much to pay a landowner for an easement is determining owner income. There are 3 basic formulas to apply depending on ownership type.

1) Single owner or family (one tax return)
   a) obtain copies of 3 most recent tax returns (1040)
   b) average the adjusted gross income (AGI) for the 3 years return
   c) example: Joe Smith made $55000 in 2005, $65,000 in 2006, and $48,000 in 2007; the average adjusted gross income is ($55,000+$65,000+$48,000)/3 = $56,000.

2) Two or more owners (separate tax returns)
   a) obtain copies of 3 most recent tax returns (1040) for each owner
   b) add the AGI's for all owners for each year
   c) average the total income for the 3 years return
   d) example: Joe Smith and Harry Thomas own parcel X.

Name	2005	2006	2007	3 yr average AGI
Joe Smith	$55,000	$65,000	$48,000	
Harry Thomas	$103,000	$90,000	$89,000	
Total	$158,000	$155,000	$137,000	$150,000

(3 yr avg AGI = ($158,000+$155,000+$137,000)/3 = $150,000

3) Corporation, LLC, Partnership, Trust or estate
   a) obtain copies of 3 most recent tax returns (1040) for each person with an interest in the entity (LLC, etc.)
   b) determine from applicants the % interest of each person
   c) determine the weighted average of the avg. AGI of the persons with interest
   d) example: Joe Smith, Harry Thomas, and Jane Doe own parcel X.

Name	% interest	2005	2006	2007	3 yr average AGI
Joe Smith	50%	$55,000	$65,000	$48,000	$56,000
Harry Thomas	25%	$103,000	$90,000	$89,000	$94,000
Jane Doe	25%	$76,000	$84,000	$110,000	$90,000

   e) determine weighted average:

Joe Smith	3 yr avg. AGI = $56,000 * 50% = $28,000
Harry Thomas	3 yr avg. AGI = $94,000 * 25% = $23,500
Jane Doe	3 yr avg. AGI = $90,000 * 25% = $22,500
	AGI for Corp. = $74,000

For a DUR purchase the AGI is multiplied by the percentage of easement value

For appraisal purchases the local share of funding cannot exceed 25% of the appraised value, allowing the property owner to receive the maximum appraisal value without overspending local funds.

Example: If the AGI is $80,000 :
Property X has an easement value of $100,000
It is eligible for FRPP at 50% - $50,000
The landowner donates 25% - $25,000
The local share cannot exceed 82% of $25,000 or $20,500