

GIFTS TO THE LAND TRUST REDUCE TAXES

By Bruce Smith

The best reason to make a contribution of property, money or a conservation easement on land to the Whatcom County Land Trust (WCLT) is to assist the Trust in its work as a powerful and effective agent for the preservation of Whatcom County's most valuable scenic, natural and agricultural lands.

In addition, any of those gifts can provide tax benefits to the giver and his/her family. Following are examples of such benefits.

Income Tax Deductions

The WCLT is a public charity and a gift to the Trust is an income tax deduction. A gift of money in effect reduces taxable income by the amount of the gift. For example, if the top part of your income is taxed at 31%, and you itemize deductions, then a gift of \$100 reduces your taxable income by that amount and your income tax by \$31.00. The cost of the gift to you is \$69.00; the remainder is Uncle Sam's money.

You may realize greater benefit by giving appreciated securities or land to the Land Trust. If you have shares of stock that you bought at \$30.00 per share more than six months ago, which have now appreciated to \$100.00 per share, and you sold the stock, then you would realize a profit (capital gain) of \$70.00. The tax on capital gains is 28%, so of your \$70.00 profit, \$19.60 goes to pay the tax, leaving you with the return of your original \$30.00, and \$50.40 profit.

If instead you gave the stock to the Land Trust, you would have a tax deduction of \$100.00 per share and reduce your income taxes by \$31.00 which is 31% of the market value of the gift. The 'out-of-pocket' difference to you between selling the stock and keeping the proceeds, or giving the stock to the Trust, is \$49.40 (\$80.40-\$31.00). The Land Trust on the other hand could utilize the full value of the \$100.00 by selling the stock.

Another way to benefit the Land Trust and also yourself is to make a gift to the Trust by way of a charitable remainder trust or 'CRT'. A CRT is a trust established by you with your donation. The Trust pays you income during your life or for a period of years, after which the remainder of the trust principal goes to a charity such as the Land Trust.



The Clark's at Clark's Point - Photograph by David Scherrer

Suppose, for example, that you have land which you bought for \$25,000.00, and today it is worth \$100,000.00, but generates no income to you. If you sold the land for \$100,000.00 then \$21,000.00 would go to capital gains taxes leaving you only \$79,000.00 to reinvest (and forgetting in this example about the sale costs). Your investment might yield today a return of 6 percent, or \$4,740.00 per year.

If instead you donated the property to a charitable remainder trust, the trust could

sell the property and would pay no income tax as the trust is a tax-exempt charity. The charitable remainder trust could reinvest the entire \$100,000.00, and pay you 6% of the trust principal each year or \$6,000.00.

Meanwhile, your gift to the trust entitles you to an income tax charitable deduction. The size of the tax deduction depends upon the income you have reserved. For example, if you have directed that 6% of the trust be paid to you each year for the rest of your life, and you are 60 years old, then your tax deduction is \$37,157.00 which reduces your income tax by \$11,518.00 if you are in the 31% bracket.

If the land protected is significant scenic or natural land, a gift of a conservation easement may qualify for an income tax deduction. If the easement reduces the fair market value of the property, as determined by an appraisal, then the amount of the reduction may be claimed as a

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Thoughts From The President:

The Land Trust has grown in breadth and responsibility since assuming our first conservation easement in 1984. Currently we oversee 10 trust lands, we have facilitated the largest land trade in Washington State's history, and we look forward to the many challenges of 1993. Few days go by without an inquiry about how the Trust can help protect a marsh, a stretch of shoreline, a forest, or open space. Our board of directors are working harder than ever to protect Whatcom County's precious natural heritage. Yet, we cannot do our work without the support and involvement of businesses and citizens of the community.

I envision our county 50 years in the future. In this future, many thousands of acres of farmland, forest land, wetlands, stream corridors, marine shoreline and wildlife habitat are protected by the Land Trust for the benefit of all who live here. It is a vision where the Trust has become a part of the day to day life of every resident of the county; where each neighbor of a stream is its steward and every farm family lives secure in the knowledge that they will never be forced to sell the land just to pay estate taxes.

My vision may seem optimistic. Yet, the success of our achievements to date and the multitude of new conservation opportunities that compete for our attention make me hopeful that this is not unrealistic. I feel proud and grateful to live in a community that takes protection of its natural heritage seriously and gives such a vision potential.

The Land Trust has a tremendous workload ahead. It is important to remember the Trust's work just begins with the signing of the conservation easement or deed. The real work will come through the years as we strive to ensure that protection is maintained by ongoing stewardship and monitoring.

Through those years the Land Trust will need the dedicated volunteer and financial support of each of its members as well as the whole community. I encourage each of you to help us ensure the long term stability of the Trust. Consider leaving a bequest to the Land Trust in your Will, or making regular donations earmarked to assist with operations or to build our capital fund, or volunteer your time. As a business owner you can become a newsletter sponsor, or contribute to one of our many special projects. However you decide to contribute to the Trust we need and sincerely appreciate your support! Thank you.

Sincerely,



CHRIS MOENCH

Cooperative Wetland Conservation

By Elaine Gold

The Washington Department of Ecology (DOE) through funding from the Public Involvement and Education Fund, presented a wetland conservation seminar for Land Trusts and local governments in February. Attending the seminar on behalf of the Whatcom County Land Trust (WCLT), board member Elaine Gold reports on the wetland programs and funding ideas for land trusts.

A recurring theme throughout the seminar was that wetlands are much less expensive to acquire and preserve than to recreate or restore. Tom Haensly, an attorney and expert in wetland law stated that it costs approximately **eight** times more to restore a wetland than to purchase and preserve it. With this in mind, a number of funding sources and conservation programs were introduced. Techniques and creative means of utilizing public/private funds for the acquisition and preservation of wetlands was discussed. Additional topics covered were, wetland program development, wetland assessment, developing management plans, land purchase, long term monitoring and maintenance, the feasibility of mitigation banks and estimated costs related to all of the above. These topics will be featured in future newsletters.

Existing Programs and Funding

The U.S. Fish and Wildlife Service has funding available for landowners who wish to restore or create wetlands. These wetlands can then be donated to the land trust for permanent protection and monitoring. In cooperation with the USFWS *Ecosystems Conservation Program*, the Washington Department of Wildlife (WDF) has implemented the *Washington State Ecosystems Conservation Program*. The goal of the program is wetland and riparian restoration through cooperative ventures between private landowners, local governments and conservation organizations such as the Land Trust. The program has completed 22 cooperative projects this past year. Technical assistance is available and awards are made based on overall benefits including wildlife, ground water recharge, water quality, soil conservation and long term protection.

Other federal programs include the *North American Wetlands Conservation Grants Programs* which funds wetland restoration, enhancement or acquisition on a 50% non-federal funding match, and the *Coastal Wetland Conservation Grants Program* making matching funds available to state agencies for acquisition, restoration, enhancement or management of coastal wetlands. The Washington Department of Natural Resources through their *Aquatic Lands Enhancement Account (ALEA)* has announced the *Wetlands Stewardship Grant Program*. The program will provide over \$200,000 annually for acquiring lands for public access and another million dollars for preventing wetland loss. Program funds are available for local governments, Indian tribes and conservation organizations on a matching basis.

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charitable contribution, just as if the gift were an entire parcel.

If the tax deduction is quite large, as it may be in the case of a gift of a conservation easement, then the deduction may not be taken all in one year. If the gift is property held more than six months, then the deduction may be taken in an amount up to thirty percent of the giver's taxable income in the year of the gift and carried forward to use in up to five more years. If the gift is cash, then the deduction may be taken up to fifty percent of income.

Estate Tax Deductions

Often charitable contributions can substantially reduce estate taxes. Estate taxes only apply to individuals whose assets exceed \$600,000 in value, but above that amount, the rate is steep, beginning at 37% and increasing to 50%.

Any portion of the estate which is left to a charity, such as the WCLT is not subject to estate taxes. And a conservation easement can reduce taxes dramatically, while allowing the heirs to still inherit what they may value most, the undisturbed land.

For example, if an individual owns assets valued at \$1 million, then on his/her death the estate taxes on the amount over \$600,000 will be approximately \$155,000. Land in the estate will be valued for tax purposes at its "highest and best use" which means the highest fair market value it would sell for, for any purpose.

If the individual's assets include land which would appraise at a high value because of its development potential, then the value could be limited by placing a conservation easement on the property. An easement which restricted development by, for instance, limiting the number of subdivided lots or restricting the use of the land to agriculture, would reduce taxes by reducing the value of the estate. Sometimes property which would otherwise be sold to pay the taxes can be saved, and its true value in the eyes of the landowner preserved for conservation purposes.

Property Taxes

Property taxes are assessed based upon the County Assessor's determination of the market value of the property. A conservation easement which reduces the value of the property, by removing some of its value for development will then reduce property taxes.

However, sometimes a conservation easement may actually add value to the property, for example by allowing fewer but larger lots, which might command higher prices from wealthy buyers. In addition, a conservation easement might not affect the current taxes on land that is already receiving the benefit of open space property tax classification.

In conclusion, this discussion summarizes some of the tax benefits available by making contributions to the Land Trust. However, much more can be said that undoubtedly would apply to any particular situation. Consider these ideas and talk with your tax advisors.

WCLT FACILITATES ARLECHO PRESERVATION EFFORTS

The largest privately owned old growth forest remaining in the Puget Sound area is located along Arlecho Creek in southern Whatcom County. Totaling 452 acres, the Arlecho forest is a regionally significant remnant of old growth which is both critical habitat for threatened wildlife and, of cultural significance to traditional Native Americans. At this time the forest is threatened by proposed logging.

As an alternative to lengthy legal challenges which only delay logging and rarely remove the threat, the Whatcom County Land Trust recognized the need to organize a cooperative preservation effort. As a result, the Arlecho Coalition was formed. This unique group of tribal governments, state and local agencies and conservation organizations has joined together in a collective effort to seek the means to permanently protect Arlecho. The coalition is proof that potentially opposing views can coalesce for a greater good; in this case the preservation of threatened public resources. The preservation of Arlecho is a priority for all participants in the coalition which includes:

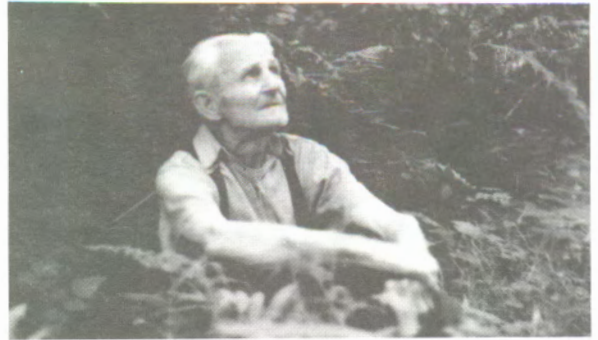
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The Land Trust is facilitating this cooperative, public-private-tribal partnership as a means to heighten the public's and legislators' understanding of sensitive lands issues. These issues include the values and functions of sensitive lands including old-growth forest ecosystems, the importance of protecting habitat and species diversity, and the cultural significance of these sites in Western Washington. Most importantly, the Land Trust provides a vehicle for devising a strategy for the preservation of sensitive areas in cooperation with land owners.

Acquisition of the forest is the most likely means of preserving the site. Present efforts of the group are to seek funding from federal, state and private sources. The Lummi Nation has taken a notable lead by requesting a federal appropriation for the acquisition of Arlecho. The Arlecho coalition has named the Whatcom County Land Trust as its representative contact and negotiator with Arlecho's current owner Mutual of New York Insurance Company or MONY.

The Nessel Legacy Lives On

Tom Nessel, 94, died at home on November 20th 1992. Tom was born in Nessel, Norway in 1898. He came with his family to Saxon when he was three years old and with their own hands, the Nessel family crafted a farm that has worked in harmony with its natural surroundings. The Nesses worked hard to protect wildlife and enhance the salmon run in a stream running through their land. Neither Tom nor his sister who shared the farm had children, so in order to preserve the beauty of their land and farm for future generations, they granted a conservation easement for their land in 1989. With the protective easement secure, the farm is destined to become a living museum under the care of Whatcom County Parks.



Tom Nessel

Cooperative Wetland Conservation

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Land Trusts are working cooperatively with local governments to acquire wetlands that serve as critical habitat, natural areas and urban wildlife habitat areas through the Washington Interagency for Outdoor Recreation, as well as to implement cooperative wetland management and education projects through Coastal Zone Management Act funding which is administered by the DOE. On a local level funding will be available for select projects using the Conservation Futures Funds levied and administered by Whatcom County. This county wide levy will begin generating funds in 1993 and will be an ongoing source for purchases of conservation lands or conservation easements. It may also serve as matching funds for such purchases.

Benefits of Conservation

What is the payoff for preserving wetlands? As mentioned before, the cost of restoration or re-creation far exceeds the cost of outright purchase and that cost is passed on to you and me. We all benefit from the functions of wetlands such as storm water runoff retention, flood water control, biofiltration of pollutants, plant, fish and wildlife habitat, ground water recharge, plus the various recreational opportunities and altruistic values.

Private landowners also benefit from wetland preservation by retaining open space and aesthetic quality of the property, retaining the wetland function which could enhance the value of the surrounding land and by granting a conservation easement on the wetland which may result in tax benefits.

The role of land trusts in wetland conservation is an important one, as they can provide education, leverage funding, and assume long term monitoring of protected wetlands. To learn more about wetland preservation and the role of land trusts, obtain a copy of the Capitol Land Trust's *Wetland Preservation: A Resource Manual for Land Trusts* by calling the WCLT at 647-5484, or ask to meet with a WCLT member.

Does Farmland Protection Pay?

A new report issued by the American Farmland Trust summarizes two years of research using comparative economics of preservation and residential development. The report finds that farm and open lands absorb only \$.33 in government services for every dollar in taxes they generate. Residential development on the other hand, was found to reverse the flow of funds, requiring \$1.12 in services for every tax dollar generated. Although taxes on agricultural land are less in Whatcom county, this industry generates \$25 million dollars in annual production, while requiring minimal county services. Agricultural land preservation is vital to Whatcom County's economy. Ag land is the foundation of one of the county's largest industries and is also an important natural resource providing habitat for wildlife and open space for peace of mind. You can help preserve Whatcom County's precious farming heritage by joining the Whatcom County Land Trust's Agricultural Committee. Please contact Wym Matthews ph. w. 738-2531 or h. 738-9778 for more information and meeting times.

Skagit Conservationists Form a New Land Trust

The Skagit Land Trust is the newest land trust in the region and has gained its first easement within its first few months of formation. The Skagit Land Trust will complement the existing Skagitonians to Preserve Farmland by concentrating their conservation work on non-farmland areas, including wildlife habitat, wetlands, river frontage and other natural areas. Additionally, Whatcom County Land Trust will work closely with the Skagit group to secure those special, often overlooked natural areas spanning our county lines. With well over 100 members, the Skagit Land Trust is on its way to becoming another active conservation organization in Northwest Washington. For more information please write to the Skagit Land Trust, P.O. Box 1017 Mount Vernon, WA 98273.

INVEST IN WHATCOM COUNTY'S FUTURE LIVEABILITY

The Whatcom County Land Trust needs your membership support to continue operating. The Land Trust is a local non-profit, non-governmental land conservation organization. The Trust is directed by a volunteer board representing various professional backgrounds and conservation interests. We are dependent on membership contributions to fund our daily operations and part-time Coordinator. Currently, we are supported by a small membership base. This membership represents less than 1% of Whatcom County's population. With a scope of work which potentially benefits all the county's citizens, a volunteer board and staff working to capacity, and a growing demand for the Trust's services, it is obvious that we need to reach out to the community and ask for help with our 1993 projects, which include:

- * *Working with individual private landowners to achieve the desired conservation goals for their land through conservation easements and other mechanisms;*
- * *Assist farmers and the agricultural community to find reasonable solutions to maintain the county's agricultural land base;*
- * *Secure protection of critical bald eagle winter habitat on the upper Nooksack River;*
- * *Implement a Voluntary Land Conservation Program in cooperation with local business, industry and government;*
- * *Facilitate the Arlecho Coalition of tribal governments, local and state agencies and conservation organizations in an effort to protect Puget Sound's largest remaining privately owned old growth forest;*
- * *Provide assistance to community groups and neighborhood organizations in their quests to protect special lands;*
- * *Continue community outreach education through educational workshops and presentations.*

You are investing in Whatcom County's liveability and natural heritage by joining the Whatcom County Land Trust. As a member you will receive the satisfaction of contributing directly to the preservation of our special lands through cooperative and voluntary approaches, and to the promotion of responsible land stewardship.

We invite you to become a member of the Land Trust and join us in this important work for our community, our families, and future generations.

You're Cordially Invited to a Special Membership Workshop and The Nessel Homestead Tour

Come and enjoy the beautiful south fork valley. Learn how the Land Trust operates, how you can participate as a volunteer and meet other Trust members. The day will start with a membership workshop at the Acme Presbyterian Church and conclude with a tour of the Nessel homestead located along the scenic South Fork Nooksack River at the base of the Twin Sisters. The Nessel homestead is the site of a future county park.

The Nessel tour will be guided by Rand Jack and Russ & Cindy Pfeiffer-Hoyt. The tour will include a discussion of the history of the farm, the Nessel's land conservation ethic, the natural history of the area, the importance of preserving the site, and introduce a stream enhancement project.

Bring a brown bag lunch. Beverages and dessert will be provided. Dress for the weather, wear good walking shoes or boots, and be prepared for an engaging day of activity.

Date: Saturday, June 5th, 1993
Time: 10:30 pm - 2:30 pm
Location: Acme Presbyterian Church
 2054 Valley Hwy (Hwy 9), Acme WA
RSVP: Please phone: Chris Moench 734-9472 or Hilda Bajema 384-1220



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