

A conservation Easement - The opportunity for Stonehill Lane

The purpose of this document is to introduce a prospective buyer of Stonehill Lane to the potential tax and financial incentives offered through land conservation planning. These financial incentives are an excellent way to reduce the purchase price through tax savings while preserving open lands. The exploration of potential conservation options can help the landowner in reaching different financial, tax and estate objectives. In this situation you will work with the Audubon Society, an attorney, appraiser, surveyor and accountant in a team approach to maximize the value of this easement.

These objectives are achieved through an easement or restriction on the property. In this situation, you are **donating the building rights on a portion of this property**. This prevents you from building a residence on the restricted property only. This easement does not include the building sites designated by you prior to establishing the easement. You have complete discretion on which acreage is restricted, although the Audubon Society has the right to reject the proposal. **It is important to note that while you have donated the building rights as it pertains to building residences, you have retained ownership of the entire property allowing you to build fences, clear fields and add outbuildings among other things.** All of this is detailed in an agreement negotiated with the Audubon Society. In return, you will receive significant tax benefits, in the form of a charitable contribution, which will ultimately reduce the cost of your purchase.

The preservation of open space in the face of increasing regional growth and unmanaged development is a very real challenge and a top priority of the federal and local government. The conservation easement program has been in existence for a long time and has been effective in preserving the rural nature of many communities in Connecticut and across America. In Connecticut, the Audubon Society has a vested interest, and one that meets the IRS criteria, in preserving as much of StoneHill Lane as possible. IRS regulation 170(h) allows for the protection, through easements, of natural habitats of fish, wildlife, plants or similar ecosystems. They also allow for the preservation of open space including farmland, forest, or for scenic enjoyment. These easements can exist while also allowing for owner use of the property. **Simply stated, the parcel size, degree of proposed development, restrictions and proximity to other**

protected lands all make these parcels very attractive to the Audubon Society and they have expressed tremendous interest in the project.

Once appraised, values are determined and the charitable deduction is calculated, the land owner is now eligible to deduct up to 30% of his adjusted gross income for charitable contributions. This deduction can be amortized over a 6 year period and these tax savings will help subsidize the purchase price.* There are additional adjustments that can affect the value of your deduction. A comprehensive plan will more accurately determine the value of this easement. This process has one added benefit. Because the land is now restricted and has limited use, your property is reassessed and your property taxes are significantly reduced.

This program works on either the whole 106 acres (all 4 parcels) or on the individual parcels. . It will allow the owner to substantially reduce the purchase price of the property by paying less tax via taking the deduction afforded him under this program. Looking at this project as a whole, this approach will enable the owner to preserve approximately 85 of the 106 acres while retaining 4 building sites and while protecting a habitat so vital to Sharon, CT. It will allow the owner to substantially reduce the purchase price of the property.

For additional information please visit.

<http://www.nature.org/aboutus/howwework/conservationmethods/privatelands/conservationeasements/>

*The deduction can be used in one year if the owner meets the adjustable gross income requirement. Current parameters are 50% of adjustable gross incomes and a 15 year amortization period. These parameters expire this year and will revert back to the 30% and 6 years unless extended. The extension of 50% and 15 years is in the current budget and is expected to pass.

Disclaimer: Consult your own tax and legal professionals to ascertain whether or not this program meets your financial and tax needs. In addition, have the appropriate professionals review and advice on any easement plans you undertake. Elyse Harney Real Estate LLC, Wells Hill LLC, StoneHill Capital, LLC and John Melligon take no responsibility for the accuracy of this information.