

KEEPING TEXAS BIG, WIDE & OPEN

A GUIDE TO PROTECTING TEXAS LAND AND YOUR LEGACY





TALT

THIS LAND IS TOO IMPORTANT

FOR ITS FUTURE TO BE LEFT TO FATE. SARAH HARTE,
DECIE RANCH



TALT

THE TEXAS AGRICULTURAL LAND TRUST

CONSERVES THE HERITAGE OF AGRICULTURAL LANDS

NATURAL RESOURCES AND WILDLIFE
HABITATS ACROSS THE STATE OF TEXAS.



Founded by the Texas Farm Bureau, Texas and Southwestern Cattle Raiser Association, and the Texas Wildlife Association, we approach this mission with private landowners seeking to preserve working landscapes with agricultural uses. This includes farmers, ranchers, and sportsman. These landowners are committed to conservation and to keeping their land in agricultural use.



CONSERVATION EASEMENTS

A conservation easement is a voluntary legal agreement that allows landowners to retain title and management of their property, while forfeiting, donating or selling certain development rights to a land trust. This protects the land from commercial or residential development, preserves habitat, limits subdivision and fragmentation of the land, and allows landowners to ensure the land they love is protected into perpetuity.

Conservation easements provide more than protection to open spaces. Easements often serve as a financial tool for landowners as they plan to transition land to future generations or as they reinvest resources back into their operation. Conservation easements can be donated, purchased, or a combination of both.

DONATED EASEMENTS

Donated easements do not provide direct compensation to a landowner. Rather, they qualify landowners for tax benefits.

- **Federal Income Tax Deduction** - The 2018 Farm Bill and IRS guidelines treat a donated easement as a charitable donation, allowing landowners to deduct the easement's value from their Adjusted Gross Income (AGI) over a 15-year period. Typically, landowners are eligible to take a deduction of up to 50% of their adjusted gross income. However, qualified farmers and ranchers, during the year of the gifting, may qualify for higher percentages. Some expenses incurred during the conservation easement donation may also be eligible for a federal tax deduction during the first year.
- **Reduced Estate Tax** - Land is devalued when granting away development or commercial rights. This reduces the property and estate tax burden for current owners and family members who may inherit the land. Conservation easements do not affect Texas property tax valuations.

PURCHASED EASEMENT

Purchased easements provide direct compensation to landowners through a cash payment. This funding can come from private philanthropic sources, state programs, or federal programs.

- **Cash Payments** - Purchased easements qualify landowners for direct payment. Examples of funding sources include state and federal programs such as the Agricultural Conservation Easement Program (ACEP) or the Texas Farm and Ranch Lands Conservation Program (TFRLCP). Sometimes, characteristics of land or natural resources make property appealing to specific conservation groups. This may qualify landowners for philanthropic grant funding.
- **Reduced Estate Tax** - Land is devalued when granting away development or commercial rights. This reduces the property and estate tax burden for current owners and family members who may inherit the land. Conservation easements do not affect Texas property tax valuations.

EASEMENTS OFTEN SERVE AS A FINANCIAL TOOL FOR LANDOWNERS AS THEY PLAN TO TRANSITION LAND TO FUTURE GENERATIONS.

Disclaimer: This document is not intended for tax advice. Landowners should consult with their own accountant and legal counsel regarding tax issues.

Some landowners will enter into a "bargain sale" where a portion of their easement is paid and another portion is donated.



The sale, transfer, or gifting of an easement is always allowed. Division of parcels is subject to the terms of the easement.

ALLOWED

Fences, water improvements

Habitat protection, restoration

Construction of residences and agricultural buildings is permitted within designated areas reserved for that purpose.

Compatible oil and gas development

CUSTOMIZING YOUR CONSERVATION EASEMENT

TALT understands the unique challenges that face agricultural landowners. We work with landowners to customize a conservation easement to meet the needs of the property and the needs of their agricultural operation. This means landowners can choose to protect all or part of their property, and have the option to allow for construction of a house, barn, fence, road, or other important agricultural structure. However, there are a few activities that are restricted, including waste sites, commercial sale of water, or resource extraction that significantly disturbs the natural resources being preserved.

Commercial sale of renewable energy

Subdivision or construction for commercial activities

Surface mining

RESTRICTED

Commercial sale of water

Dumping toxic waste

WHY EASEMENTS

Conservation easements are legally binding agreements with a landowner and a qualified easement holder, like us. A conservation easement allows landowners to voluntarily give away or sell certain rights for the purposes of conservation, while retaining others – and retaining title to their property.

NO TWO CONSERVATION EASEMENTS ARE ALIKE. EACH IS TAILORED TO THE UNIQUE CHARACTER OF THE LAND AND THE GOALS OF THE LANDOWNER.

Contrary to a widespread misconception, it is not a one-size-fits-all contract. TALT and the donating landowner negotiate the terms of the easement to account for the unique character of the land and the goals of the landowner. At TALT, we are open about the process, and can walk you through a variety of options or structures that have worked for the landowners we've partnered with over the years.

BEYOND THE FENCE LINE



Want to learn more about the benefits of easements? Check out our Beyond the Fence Line podcast.

TXaglandtrust.org/category/podcasts



TALT

A family of four is walking along a dirt path that winds through a lush, green field. On the left, a man in a light blue short-sleeved button-down shirt and blue jeans walks towards the camera. In the center, a young girl in a grey long-sleeved top with floral patterns and a pink bow in her hair walks towards the camera. To her right, a woman in a red and white plaid shirt and dark pants carries a young child in a purple patterned dress. The background is filled with tall grass and wildflowers, with a line of trees in the distance.

FOREVER PROTECTING THIS LAND

WAS THE MOST GENEROUS
GIFT WE COULD GIVE TO
THE COMMUNITY.

CAROLYN CHIPMAN EVANS,
HERFF FARM



BENEFITS OF DONATING

By donating a conservation easement to TALT, you forever protect your land and your legacy. But in addition to this security, landowners are able to utilize a number of financial benefits. One example is below:

The Smith family owns a 20,000-acre ranch in South Texas. Due to rising land costs, pressure to develop the ranch, and concerns about keeping the land intact after their passing, the owners enter a partnership with TALT to form a conservation easement on 7,000 acres of the property.

TAX DEDUCTION

WITHOUT EASEMENT

A MARKET VALUE = \$34M

WITH EASEMENT

CHARITABLE DONATION = \$10M ↴

B MARKET VALUE = \$24M

ESTATE TAX IMPLICATIONS

C PROPERTY VALUE	\$ 34,000,000	\$ 24,000,000
D LESS JOINT EXCLUSION	\$ (23,160,000)	\$ (23,160,000)
E TAXABLE ESTATE	\$ 10,840,000	\$ 840,000

TALT UNDERSTANDS THE VALUE OF ALLOWING LAND STEWARDS CONTINUE TO MANAGE THE LAND

KIRK WILLIAMS,
WILLIAMS FAMILY RANCH



A APPRAISED VALUE
A property value is assessed by appraising the highest and best use of land. This considers not just the current use of the property but the potential value associated with alternative uses like commercial development.

B CONSERVATION EASEMENT VALUE
Property value can change when land enters a conservation easement due to restrictions of land use. This reduced value may qualify as a charitable donation. Deductions range from 50% to 100% annually based on various factors. This donation can be used the year of the deduction and then carried forward 15 years. The above \$10M easement valuation is for demonstration purposes only and will be unique for every individual property.

C PROPERTY VALUE
Federal estate tax is based on the fair market value of the property at the time of a landowner's death, not on the original purchase price.

D JOINT EXCLUSION
The IRS sets limits to the value of an estate that can be left to heirs free from federal estate taxes. Current exclusion levels can be found on the IRS website.

E TAXABLE ESTATE
The reduced market value of a property due to a conservation easement lowers an individual's taxable estate. Because tax law changes frequently, landowners should speak with CPAs or an attorney about this benefit.



TALT



FROM CONTACT TO CLOSING

Establishing a conservation easement takes time. This can range from three to six months, or even longer for landowners with more complex needs. We strive to keep the process transparent, and ensure landowners feel confident and certain in each step before moving forward.



APPLICATION PHASE

CONTACT US

Once you contact our team, we will share information and directly answer questions you may have. We may have a few questions, too. We want to understand how long you have owned the property, where your land is located, the size of the operation, what your goals are in conservation, and the status of your mineral ownership.

DISCUSS THE DECISION

Discuss the decision to place a conservation easement on your property with an attorney and tax advisor as well as your family.

SCHEDULE A SITE VISIT

Coordinate with TALT to schedule an on-site visit to your farm or ranch. We will collect information to ensure your property aligns with our mission and address your questions and concerns.

APPLY

Complete an application and submit a \$1,000 application fee along with any applicable grant application fees to TALT.

APPLICATION APPROVAL

TALT's Board of Directors approves all conservation easements. When a landowner is ready, we present their application to the land conservation committee.



NEGOTIATION PHASE

BEGIN PARTNERSHIP

When approved, we both sign a memorandum of understanding outlining the next steps for a conservation easement. This is when you also pay the first half of the project coordination fee. Donated conservation easement coordination fees are \$7,500. Purchased conservation easement fees are \$8,000. This flat fee may increase if the project extends longer than two years.

COLLECT DOCUMENTATION

Next, we will work together to obtain copies of ownership agreements like trusts or family limited partnerships, title commitments, mineral leases, surface use agreements, title reports, appraisals, and mineral remoteness assessments.

COMPLETE A BASELINE INVENTORY REPORT

Work with TALT to coordinate a report indicating the present condition of your property. We will both approve and sign the document.

DRAFT THE DEED OF CONSERVATION EASEMENT

Together with respective legal counsels, we will draft the terms of the Deed of Conservation Easement. This legal document is tailored to your specific goals and needs.



CLOSING PHASE

FINAL BOARD REVIEW

Once complete, we submit the final Deed of Conservation Easement to the Board of Directors for final review.

CLOSING

At closing, we will join you to sign the Deed of Conservation Easement in front of a notary. We will deliver the documents to the County Clerk and Recorder. All expenses including the remainder of your project coordination fee, stewardship endowment, and closing costs are due at this time.



MONITORING PHASE

MONITORING

We contact landowners and schedule visits to monitor easements annually. These visits ensure your conservation goals are carried out into perpetuity, and serve as an opportunity for you to discuss questions, concerns, and future plans with our team.

COST

Conservation easements require a number of expenses. Expenses charged to the landowner vary widely depending on the type, size, and complexity of the easement. The total cost can range from \$45,000 to \$100,000. Following is a breakdown of a typical conservation easement project:

Application Fee: \$1,000 - \$1,500

TALT's application fee is \$1,000. Applicants seeking a purchased easement will be required to submit additional fees for grant funding applications.

Project Management Fee: \$7,500 - \$8,000

Donated conservation easement coordination fees are \$7,500. Purchased conservation easement fees are \$8,000. This flat fee may increase if the project extends longer than two years.

TALT Legal Fees: \$3,500 - \$5,000

Because of the nature of TALT's nonprofit status, landowners incur expenses from legal counsel negotiating the conservation easement on TALT's behalf.

Documentation and Reports: \$7,000 - \$20,000

Each easement requires a variety of official documentation and reports including an appraisal, baseline report, survey, and mineral remoteness.

Closing Costs: \$3,000 - \$30,000

Closing costs include title fees that are scaled based on the value of the conservation easement and can vary greatly.

Stewardship Endowment: \$15,000 - \$50,000

Landowners donate to TALT's stewardship endowment which funds future stewardship and monitoring of the property.

Legal Defense Fund: \$5,000

This fee ensures the terms of the easement and landowner values are upheld.

In addition to these fees, all landowners are required to obtain outside legal counsel to help guide them through the process.



MY GRANDCHILDREN WILL BE ABLE TO ENJOY

**THE SAME PIECE OF TEXAS
THAT I HAVE LOVED**

GIB LEWIS,
S03 RANCH





TALT



HELP US KEEP TEXAS BIG, WIDE & OPEN FOR GENERATIONS TO COME

For more information, please visit www.txaglandtrust.org or follow us on social media. To learn more about easements contact a member of the land conservation team.



MAILING ADDRESS:

Texas Agricultural Land Trust
P.O. Box 6152
San Antonio, Texas 78209

PHONE NUMBER:

210-826-0074

TALT, a private non-profit organization tax-exempt charitable organization or 501(c)(3), was created by farmers and ranchers for farmers and ranchers. TALT is proud to play a role in conserving part of Texas' legacy of wide open spaces.



WE CHOSE TALT AS OUR PARTNER IN LAND CONSERVATION BECAUSE

**THEY ENSURE THE LAND
HAS A SEAT AT THE
TABLE FOREVER.**

DAVID AND MYRNA LANGFORD,
LAURELS RANCH