

MASSACHUSETTS CONSERVATION LAND TAX CREDIT (CLTC) PROGRAM

What type of land conservation transactions may qualify:

- Donations of land, conservation restrictions, life estate and bargain sales of land.
- Basic requirements:
 - Must be a perpetual conveyance:
 - donation of a conservation restriction (CR) to a qualified organization, or
 - donation of land to a government agency or town, or
 - donation of land to an incorporated land trust, subject to a CR.
 - Must protect natural resources.

How to take the credit:

- Landowner(s) do not need to be Massachusetts income tax payer(s) or residents.
- Need certification by state that land is eligible (see process below).
- Tax is credit applied to the applicant's state tax liability during the year of the donation. If credit is larger than the liability, the State will issue a check for the remainder of the approved credit. (With refundability, the credit cannot be carried into future tax years.)
- Credit is allocated in proportion to (each) owner's interest in the property.
- State tax credit can be taken in addition to a claim for federal income tax deduction. State tax credit is taxable as income by the IRS in the following year.

Limitations on taxpayer:

- Credit limited to 50% of fair market value of land or interest, as appraised, or \$50,000, whichever is less.
- Refunded credit from state is taxable income for donor's federal income tax purposes.
- If married, must file joint return with spouse.
- The tax credit is non-transferable (that is, it is specific to the donors/taxpayers).

Limitations on State:

- \$2,000,000 cap per year on the total of reduced tax liability plus refund checks.

Certification Process Steps:

1. Landowner submits Application to EEA, providing information to demonstrate that
 - (a). Conveyance will protect the land in perpetuity AND
 - (b). Donation is in public interest, for "natural resource protection" including drinking water supplies, wildlife habitat and biological diversity, agricultural and forestry production, recreational opportunities, or scenic and cultural values.
2. EEA determines eligibility of the donation.
3. Applicant submits appraisal to EEA within 30 days of EEA's Notice of Eligibility.
4. EEA issues a Notice to Proceed, based on a determination that the annual tax credit limit will not be exceeded.
5. Within 60 days of the Notice to Proceed, the applicant must complete the following:
 - (a). Subordination or release of all lien holders,
 - (b). Survey or metes and bounds description, shown on a plan or sketch plan,
 - (c). Satisfactory title certification evidencing capacity to convey a clear title,
 - (d). Certification that each owner of an interest in the property has agreed to the donation.

Prepared by The Compact of Cape Cod Conservation Trusts, 3 October 2011 based on final regulations at 301 CMR 14.00; please confirm with personal tax advisors or Dept. of Revenue