



Giving Private Land to the
Northern Neck–Chesapeake Bay Public Access Authority
for the Enhancement of Public Water Access
in the Northern Neck of Virginia

PUBLIC BENEFITS & TAX BENEFITS

This program is partly funded by the Virginia Coastal Zone Management Program at the Department of Environmental Quality, the U.S. Department of Commerce, and the National Oceanic and Atmospheric Administration, under the Coastal Zone Management Act of 1972, as amended.



Virginia Coastal Zone
MANAGEMENT PROGRAM



Program Summary

Land donation provides a solution to property owners who may want to enhance the long-term beauty of the Northern Neck, while at the same time receiving tax benefits. Public access boosts the region's economy through tourism, providing recreational opportunities to visitors and Northern Neck residents.

The **Northern Neck–Chesapeake Bay Public Access Authority** (NNCBPAA) plays an important role in facilitating public access in the Northern Neck region.

Why Donate Land for Public Benefit?

Since the founding of America, Northern Neck residents have had close ties to the water. Fishing, seafood processing, and boat building have supported families for centuries.

Today, only one percent of Virginia's coastal land is publicly owned. For those who don't live on the water, having access can be difficult or even impossible. Access to the water is the only thing standing between coastal residents and their coastal heritage. The next generation might not work the water, but they can still achieve pride in the region's cultural heritage through recreational activities.

When children have positive, first-hand experiences in nature, they are more likely to become adults who value and care for their environment. And when they have children, they are more likely to bring their children out into nature. This connection to the natural world sparks more outdoor experiences, and research shows that playing in nature provides benefits to children.

Conserving public space is good for the local economy. Research shows that natural areas can increase property values, encourage tourism, improve community health, and reduce the community's overall premiums for federal flood insurance.

Increasing access to the Chesapeake Bay and its tributaries is the goal of the Northern Neck–Chesapeake Bay Public Access Authority, and thanks to the generosity of land donors, more Virginians are gaining access to the water. Land donors cite several reasons and benefits for donating property: To leave a legacy, to inspire the next generation of donors, to support the local economy, and to receive tax benefits.

Criteria for Donating Land

To be eligible to donate land to the Northern Neck–Chesapeake Bay Public Access Authority, your land must have a clear property title, and it must be in Virginia’s Northern Neck.

Contact Us

Learn more about the process of donating land to the Northern Neck–Chesapeake Bay Public Access Authority.

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Tax Benefits for Donors

Donated land is considered a noncash contribution meeting the conservation purposes of IRS regulations. Under this definition, the value of donated land may be deducted at a rate of 30% of the donor’s adjusted gross income per year, and the unused deduction may be carried forward for an additional five years, for a total of six years.

For Virginia taxes, land donated for conservation receives a tax credit equal to 40% of the value of the donated land (“Virginia Land Conservation Incentives Act of 1999”). Any unused credit may be carried forward for an additional 10 years, for a total of 11 years.

- \$100,000 is the maximum amount of tax credit that a land donor can apply in a given year.
- Donors who have more tax credits than they can use may transfer or sell the credits to other taxpayers, subject to fees.
- An appraiser who has earned an appraisal designation from a recognized professional appraiser organization can be used to determine the value of the land.
- Land that generates more than \$1 million in tax credits requires verification by the Department of Conservation and Recreation.
- \$100 million is the maximum amount tax credits the Virginia Department of Taxation will authorize in a year. Credits are issued on a first-come-first-serve basis until the cap is reached.

More information is available on the Virginia Department of Taxation website:
<http://www.tax.virginia.gov/content/land-preservation-tax-credit>

Examples of Tax Benefits for Donating Land for Public Access

One benefit for an individual donating private land for public access is realizing significant deductions in Federal and Virginia State income taxes. **These examples are for illustrative purposes only.** For more information on how these benefits apply to your situation, contact your tax professional.

Summarizing Tax Benefits

The donation of conservation land is considered a charitable gift and the value of the donation may be deducted from the donor's income. Here's how the deduction is calculated.

1. Adjusted Gross Income (AGI) is Lowered by 30%

This 30% reduction in your AGI applies to your Federal and Virginia state tax filing. For example, if your current AGI is \$50,000, after donation, it would be reduced by 30%, and your new AGI would be \$35,000.

2. This Reduction May be Applied Over Multiple Years

The reduced AGI can be used for up to six years or until the total tax savings equals the value of the donated land. Using the example above, lowering your tax benefit by 30% means you've lowered your AGI by \$15,000 per year. At this rate, over 6 years, you will have had a total reduction of \$90,000: 6 years x \$15,000/year = \$90,000. If the value of the land donated is greater than that amount, you will receive reduced AGI for 6 years. If the value of donated land is less than that amount, you will only carry over the reduction until your total savings equals the value of the land. If the land was valued at \$60,000, for example, you will only receive a reduced AGI for four years: 4 years x \$15,000/year = \$60,000.

3. Virginia Offers Additional Tax Credits

The Virginia Land Conservation Incentives Act of 1999, as amended, offers a state income tax credit for those who donate land for conservation purposes. The credit is 40% of the value of the donated land and unused credit in year one can be carried over for 10 more years. Unused credit may be sold or transferred.

Other Examples of Tax Benefits

Example #1: \$250,000 Adjusted Gross Income, \$500,000 Value of Donated Land

In this example, the land donor can reduce the original adjusted gross income by 30% for the maximum allowed six years. The donor will have unused Virginia tax credits that can be sold.

Lower Adjusted Gross Income by 30%

$$\begin{aligned} \text{New AGI} &= \text{Original AGI} - (\text{Original AGI} \times 30\%) \\ &= \$250,000 - (\$250,000 \times 30\%) \\ &= \$175,000 \end{aligned}$$

Apply the Lower AGI Over Multiple Years on Federal and Virginia Taxes

The New AGI calculated in the above step can be used in year 1 and carried over for as many as 5 more years, or until the total income reduction equals the value of donated land. In this example, the income reduction is calculated at \$75,000: of the Original AGI x 30%. After 6 years, the total reduction will be \$450,000: \$75,000/year x 6 years. Because the total reduction (\$450,000) is less than the value of the donated land (\$500,000), the reduction may be taken each of the 6 years. The table below demonstrates the tax savings that occurs due to the charitable contribution.

	Federal Income Tax	Virginia Income Tax
Before Donation Tax	\$82,500	\$14,117
(Original AGI x Tax Rate)	(\$250,000 x 33%)	(((\$250,000 – \$17,000) x 5.75% + \$720)
After Donation Tax	\$57,750	\$9,805
(New AGI x Tax Rate)	(\$175,000 x 33%)	(((\$175,000 – \$17,000) x 5.75% + \$720)
Annual Tax Savings	\$24,750	\$4,312
(Before Tax – After Tax)	(\$82,500 – \$57,750)	(\$14,117 – \$9,805)
Tax Savings Over 6 Years	\$148,500	\$25,872
(Annual Credit x 6)	(\$24,750 x 6)	(\$4,312 x 6)
Combined Tax Savings	\$174,375	
(Federal + Virginia)	(\$148,500 + \$25,872)	

Calculate Virginia Tax Credit Benefit

Virginia tax credits may be used up to 11 years or can be sold. If sold, the tax credits are subject to a transfer fee, and the sale will be subject to Federal tax. In this example, Virginia Income Tax is calculated at \$9,805/year (table above). The available tax credit is \$200,000: 40% of the value of the donated land. The available tax credits (\$200,000) are greater than the estimated taxes collected during 11 years (\$9,805/year x 11 = \$107,855). Therefore there will be unused credits. Let's say the land donor decides to apply \$100,000 credits to their Virginia taxes and sell the

remaining \$100,000.

$$\begin{aligned} \text{Income from sale of Virginia Tax Credits} &= \text{Tax credit original value} \times \text{Sale rate} \\ &= \$100,000 \times 0.91 = \$91,000 \end{aligned}$$

$$\begin{aligned} \text{Transfer fee for sale of Tax Credits} &= \text{Tax credit original value} \times \text{VA Department of Taxation} \\ &\text{transfer fee} \\ &= \$100,000 \times 2\% = \$2,000 \end{aligned}$$

Increase in Federal income tax from sale of credits = \$13,530

Total Benefit from Land Donation

$$\begin{aligned} \text{Total Benefit} &= \text{Lowered AGI} + \text{Credits Applied} + \text{Credits Sold} - \text{Transfer Fee} - \text{Tax from Credit} \\ &\text{Sale} \\ &= \$174,470 + \$100,000 + \$91,000 - \$2,000 - \$13,530 \\ &= \mathbf{\$349,845} \end{aligned}$$

Example #2: \$150,000 Adjusted Gross Income, \$500,000 Value of Donated Land

In this example, the land donor can reduce the original adjusted gross income by 30% for the maximum allowed six years, moving the donor into a lower Federal tax bracket. The donor will have unused Virginia tax credits that can be sold.

Lower Adjusted Gross Income by 30%

$$\begin{aligned} \text{New AGI} &= \text{Original AGI} - (\text{Original AGI} \times 30\%) \\ &= \$150,000 - (\$150,000 \times 30\%) \\ &= \$105,000 \end{aligned}$$

Apply the Lower AGI Over Multiple Years on Federal and Virginia Taxes

In this example, the New AGI results in a lower Federal tax bracket. Because the land donation value is greater than the savings in Federal tax, the New AGI can be applied for all six allowed years.

	Federal Income Tax	Virginia Income Tax
Before Donation Tax	\$42,000	\$8,367.50
(Original AGI x Tax Rate)	(\$150,000 x 28%)	(((\$150,000 - \$17,000) x 5.75% + \$720)
After Donation Tax	\$26,250	\$5,780
(New AGI x Tax Rate)	(\$105,000 x 25%)	(((\$105,000 - \$17,000) x 5.75% + \$720)
Annual Tax Savings	\$15,750	\$2,587.50
(Before Tax - After Tax)	(\$42,000 - \$26,250)	(\$8,367 - \$5,780)
Tax Savings Over 6 Years	\$94,500	\$15,525
(Annual Credit x 6)	(\$15,750 x 6)	(\$2,587.50 x 6)
Combined Tax Savings	\$110,025	
(Federal + Virginia)	(\$94,500 + \$15,525)	

Calculate Virginia Tax Credit Benefit

Virginia tax credits may be used up to 11 years or can be sold. If sold, the tax credits are subject to a transfer fee, and the sale will be subject to Federal tax. In this example, Virginia Income Tax is calculated at \$5,780/year (table above). The available tax credit is \$200,000, which is 40% of the value of the donated land. The available tax credits (\$200,000) are greater than the estimated taxes collected during 11 years (\$5,780/year x 11 = \$63,580). Therefore there will be unused credits. Let's say the land donor decides to apply \$60,000 of credits to Virginia tax and sell the remaining \$140,000.

Income from sale of Virginia Tax Credits = Tax credit original value x Sale rate
= \$140,000 x 0.91 = \$127,400

Transfer fee for sale of Tax Credits = Tax credit original value x VA Department of Taxation transfer fee
= \$140,000 x 2% = \$2,800

Increase in Federal income tax from sale of credits = \$24,500

Total Benefit from Land Donation

Total Benefit = Lowered AGI + Credits Applied + Credits Sold – Transfer Fee – Tax from Credit
= \$110,025 + \$60,000 + \$127,400 – \$2,800 – \$24,500 = **\$270,125**

Example #3: \$450,000 Adjusted Gross Income, \$500,000 Value of Donated Land

In this example, the land donor will reduce their original adjusted gross income by the full 30% in the first years and a partial reduction in year four. (Total reduction over this timeframe is equal to the value of donated land.) The donor will use Virginia tax credits within eight years.

Lower Adjusted Gross Income by 30%

New AGI = Original AGI – (Original AGI x 30%)
= \$450,000 – (\$450,000 x 30%)
= \$315,000

Apply the Lower AGI Over Multiple Years on Federal and Virginia Taxes

The reduced AGI may only be applied until the total AGI reduction equals the value of the donated land. In this case, a 30% reduction of the Original AGI is \$135,000. Over the first three years, the total reduction equals \$405,000. Therefore in year four, the donor cannot take the entire 30% reduction. Instead year four AGI will be reduced by \$95,000: the value of donated land minus the total reduction in years one through three. The table below calculates tax

savings for years one through three and year four for Virginia and Federal income tax.

	Federal Income Tax	Virginia Income Tax
Before Donation Tax	\$178,200	\$25,617.50
(Original AGI x Tax Rate)	(\$450,000 x 39.6%)	(((\$450,000 – \$17,000) x 5.75% + \$720)
After Donation Tax (Yrs1-3)	\$103,950	\$17,855
(New AGI x Tax Rate)	(\$315,000 x 33%)	(((\$315,000 – \$17,000) x 5.75% + \$720)
Tax Savings (Yrs1-3)	\$222,750	\$23,287.50
(Before Tax – After Tax yr1-3) x 3	(\$178,200 – \$26,250) x 3	(\$25,617.50 – \$17,855) x 3
After Donation Tax (Yr4)	\$117,150	\$20,155
(Remaining AGI x Tax Rate)	(\$355,000 x 33%)	(((\$355,000 – \$17,000) x 5.75% + \$720)
Tax Savings (Yr4)	\$61,050	\$5,462.50
(Before Tax – After Tax Yr4)	(\$178,200 – \$117,150)	(\$25,617.50 – \$20,155)
Tax Savings Over 1 - 4 Years	\$283,800	\$28,750
(Tax Savings Yrs1-3 + Tax Savings Yr4)	(\$222,750 – \$61,050)	(\$23,387.50 – \$5,462.50)
Combined Tax Savings	\$312,550	
(Federal + Virginia)	(\$283,800 + \$28,750)	

Calculate Virginia Tax Credit Benefit

Virginia tax credits may be used up to 11 years or can be sold. In this case, the donor has \$200,000 tax credits available: 40% of value of donated land. The donor will use all of these credits within an eight-year time frame, and opts to not sell any of these credits.

Total Benefit from Land Donation

Total Benefit = Lowered AGI + Credits Applied
 = \$312,550 + \$200,000
 = **\$512,550**

Contact Us

Learn more about the process of donating land to the Northern Neck–Chesapeake Bay Public Access Authority.

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