

OVERVIEW of CLTC PROGRAM

| Purpose | provide credit for qualified donation of a property interest |
|---------|--|
| | with "sufficient natural resources" in the public interest |

| Transactions | donations or bargain sale of fee or CR | | | |
|--------------|--|--|--|--|
| | must be protected in perpetuity | | | |

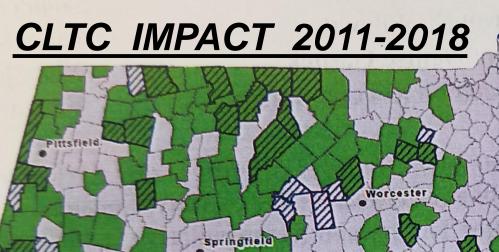
| Donors | all owners must agree to transaction |
|--------|---|
| | credit is based on % interest in MA land, |
| | <u>not</u> residency status |

| Land | must have significant natural resource values |
|------|---|
| | (e.g., drinking water, rare species, agriculture) |

| Monetary caps | program cap = \$2 million per year |
|---------------|--|
| | credit cap per transaction = lesser of \$75,000 or |
| | 50% of appraised value of donation |

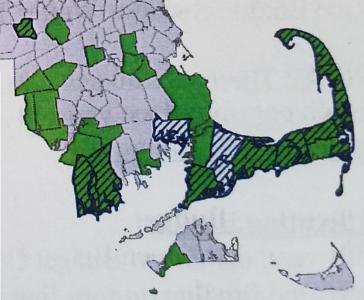
Non-transferable specific to donor

| Refundable | if credit is larger than donor's tax liability |
|------------|--|
| | precludes "carry-over" |





| Counties | Completed Projects | Sum of Acres | Tax Credit \$ Awarded |
|-------------|-----------------------|-----------------|--------------------------|
| Barnstable | 80 | 360.1 | \$3,926,756 |
| Berkshire | 18 | 2642.7 | \$ 982,250 |
| Bristol | 29 | 779.0 | \$ 1,652,000 |
| Dukes | 1 | 5.5 | \$ 50,000 |
| Essex | 24 | 637.6 | \$ 1,262,500 |
| Franklin | 33 | 3143.7 | \$ 1,384,823 |
| Hampden | 7 | 255.21 | \$ 332,500 |
| Hampshire | 14 | 966.8 | \$ 746,750 |
| Middlesex | 9 | 143.6 | \$ 497,500 |
| Norfolk | 2 | 11.0 | \$ 125,000 |
| Plymouth | 7 | 230.2 | \$ 351,250 |
| Worcester | 34 | 2303.5 | \$ 1,574,210 |
| Grand Total | 258 | 11,479 | \$ 12,885,539 |



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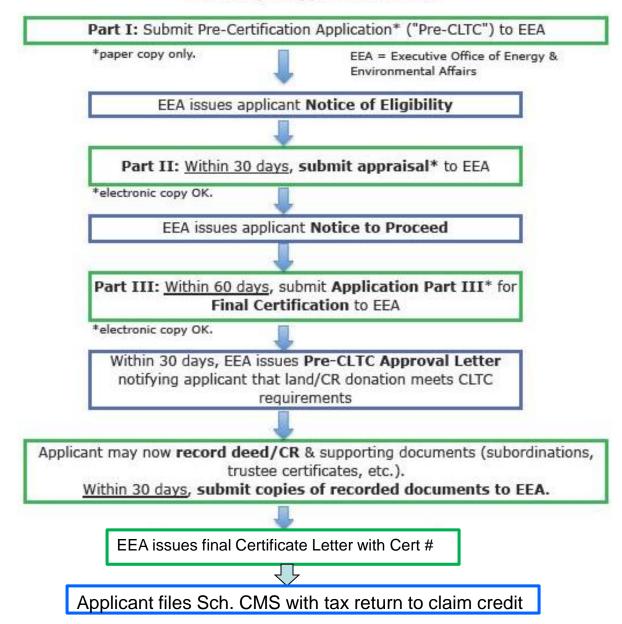
Completed

Municipalities where CLTC projects have been completed

Pending

Municipalities where there are pending CLTC projects

Massachusetts Conservation Land Tax Credit (CLTC) Summary of Application Process





Schedule CMS Credit Manager Schedule

| | | - Credit | Manager Sc | hedule | | 2018 | |
|---|--|--|--|---|--|---|--|
| or calendar year 2018 or | taxable year beginning | | | 2018 and ending | | | |
| ne of taxpayer | | Identification number | Total credits taken th | nis year (add lines 1h and 3i) | Total refundable credits allowable | e this year (add lines 2g and 4h) | |
| ent of Revenue (DOR) or a | another state agency that m | sear must file this schedule to reprinted be used to claim the credit, and the prepared to the credits available when the credits are credits available when the credits are credits available when the credits are credits as a constant of the cred | ort the credits and the amo enter each certificate numb | er and the associated credits se | dits tracked by certificate num | redict bers issued by the Depart- ed by certificate number, | |
| each credit, report the a ates. For pass-through e | mount of the credit available entities, report the amount of | e for use and the amount of cred f credits distributed to each partr er, shareholder or beneficiary of | it taken this year to reduce er, shareholder or beneficia | tax. For corporations filing a co | mbined report, report the amo (except for Brownfields, Film I | unt of credit shared with ncentive and Medical | |
| all credits available not reholder or beneficiary, o | or shared with affiliates. Note | ts K-1 schedules, including those re: If you are using a tax credit the Medical Device credits received | at does not have an expirat | tion date, fill in the oval for line | duce the total excise or tax, pa 1b and leave lines 1c and 1d b | issed to each partner, lank. | |
| 1a. Credit type | 1b. Fill in if non-expiring | 1c. Period end date (mm/dd/yyyy) | 1d. Certificate number | 1e. Credit available or certificate balance | 1f. Credit taken this year | 1g. Credit shared this year | |
| | | | | | | | |
| | | | | - 19 | | | |
| | | | | | | | |
| | | | | | 1 | | |
| | 0 | | | | * | | |
| | 1 | | Identification nu | ************************************** | * | | _ |
| * | Name of taxpayer | | identification nu | umber | | | |
| | Taxpayers with refun amount of the credit and the amount to be | | ting a refund from credit sideration any credits th dit, which may be either | at may have been taken or s 90% or 100% of the reduction | shared as shown in section | | on 2. For each refundable credit, report e available credit balance is being redu |
| Total. Enter total | 2a. Credit ty | | od end date dd/yyyy) | 2c. Certificate number | 2d. Credit available c | | |
| | Conse water Lan | nd Tax Credit | (4 | inal letter from | \$ 75,000 | or | |
| | | | N | Ir. Anderson has | half af th | re | |
| | | | 1+ | his Certificate | donated | | |
| | | | 2 - 2 - 2 | Vumber | | icher es | |
| | | | | | 15 (095) | | |
| | | | | | | | |
| | | | | | | | |

PART 1 CLTC Application Attachments

Draft Deed

Draft Conservation Restriction

Recorded Deed(s)

Recorded Plan(s)

Assessors Map(s)

Sketch (if less than entire property)

Easements, liens, mortgages

Maps (e.g., Zone II, BioMap2, Prime Soils)

PART 2 Landowner's Appraisal

- Landowner appraisal drives the quantification of tax credit (and federal deduction)
- Not buyer's appraisal; Not Town assessed value
- Must conform to state specs (not as onerous as state LAND grant program)
- Must be updated at closing for federal deduction
- What is the perfect discount in a bargain sale?

The perfect discount in a CLTC bargain sale?

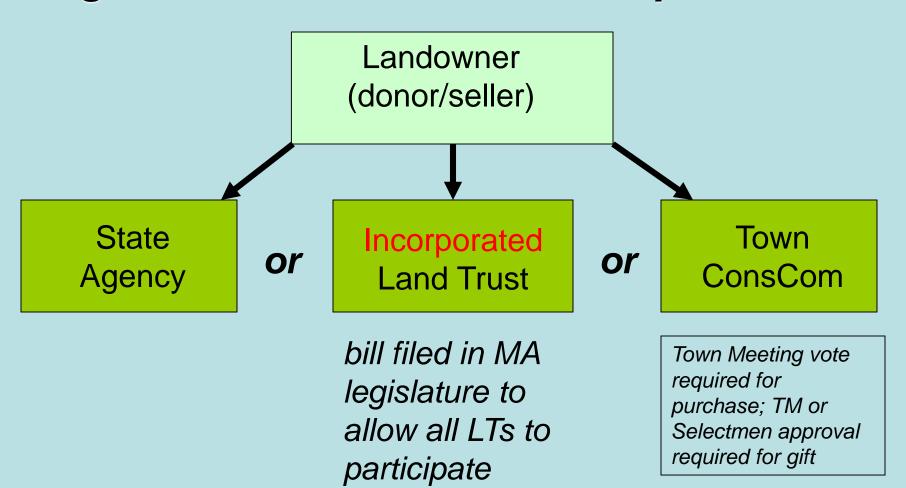
| \$400,000 | seller's appraised value |
|------------------|--|
| <u>\$250,000</u> | negotiated sale price for conservation |
| \$150,000 | discount for conservation |
| <u>x 50%</u> | tax credit rate |
| \$ 75,000 | maximum tax credit |
| \$ 50,000 | saved federal taxes \$150,000 gift (est.) |
| \$375,000 | sale price + tax credit + fed. savings |
| | |
| \$400,000 | seller's appraised value |
| \$300,000 | negotiated sale price for conservation |
| \$100,000 | discount for conservation Land Trust had to pay an |
| <u>x 50%</u> | maximum tax credit extra \$50,000 but seller |
| \$ 50,000 | tax credit only got an extra \$5,000 |
| \$ 30,000 | saved federal taxes \$100,000 gift (est.) |
| \$380,000 | sale price + tax credit + fed. savings |
| | |

PART 3 Permission to close

For EEA to examine:

- Preliminary title letter
- Draft deed
- CR status

Donation or Bargain Sale or Conservation Restriction: Eligible transfers create Art 97 protection



Donation of CR to Land Trust

Landowner

CR

Land Trust, Inc.

27 ac. of densely wooded upland on freshwater pond

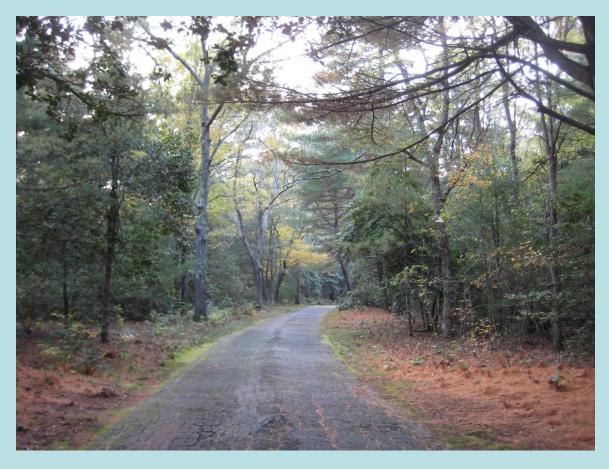
Zone II Area of Contribution

Priority Habitat for rare species

BioMap 2

Public scenic view from:

- --Town scenic road
- --1/4 mi. along Town 'way to water'
- -- pond
- --Town landing across pond



Donation of Land to Land Trust





2 acres of forested upland

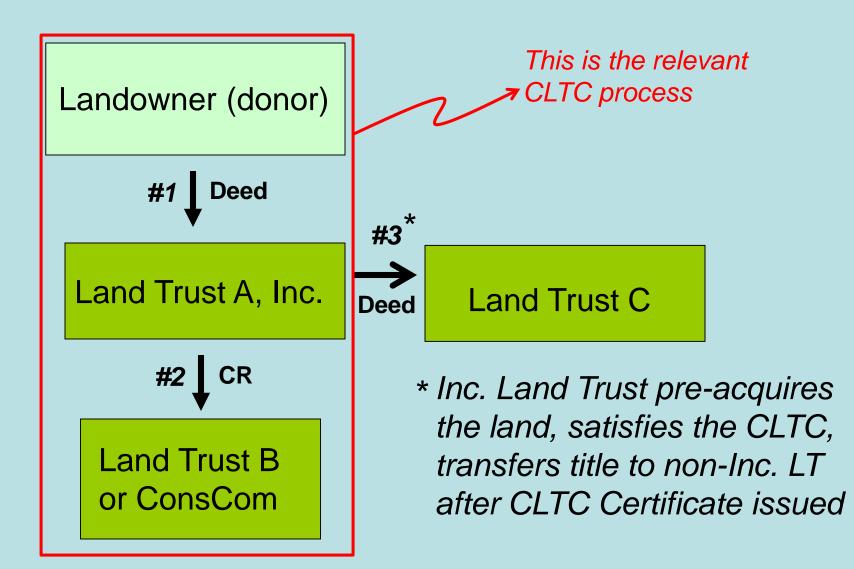
Zone II Area of Contribution

BioMap 2

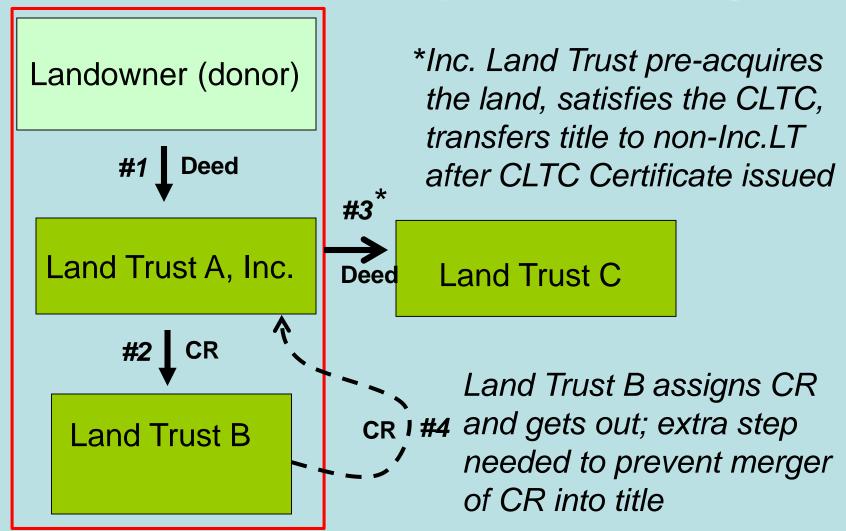
Noteworthy Scenic Landsca

Noteworthy Scenic Landscape
Connects Town open space

What if Land Trust not Inc.?

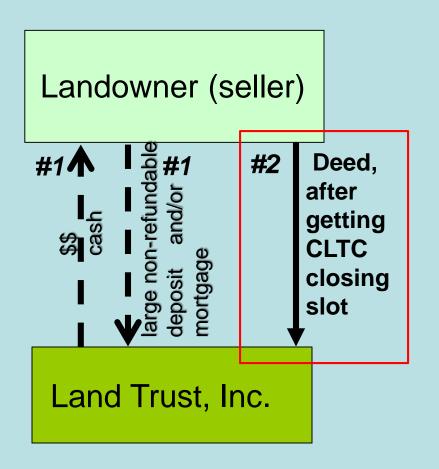


What if 3rd Land Trust does not want to hold CR permanently?

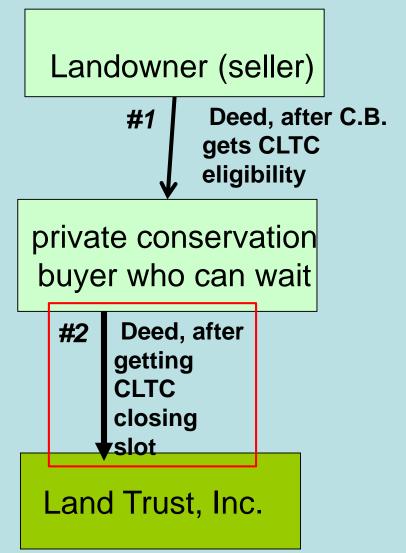


Backlog & Timing Issues: What if a landowner needs cash now, cannot wait 12-18 months to

close for CLTC?



*Don't forget CR needed too



"Are you telling me the State is really going to send me a check?"

| SICILIUM REILUM | Commonwealth of Massachusetts | Date Apríl 2019 |
|---|----------------------------------|--------------------|
| PAY TO THE ORDER OF | John Landowner | \$ 75,000.00 |
| Seve | nty-Five Thousand and oo, | /100 DOLLARS |
| MEMO_ | Conservation land Tax Credit | MA Dept of Revenue |
| ı: 12395678 | 9 1: 1001001239*1 | 0790 |

"Well, so far more than 85 folks on the Cape have got one."

Landowner Project Costs

- √Surveyor (if needed for new lot or CR boundary)
- ✓ Attorney via Title Examiner (opinion letter)
- ✓ Appraiser (initial report and post-closing update)
- ✓ Land trust stewardship fee (if any)
 - Donor's costs in year of donation can be recouped directly by tax credit/refund in year of tax filing.

Recommendations

- Submit as complete an application package as possible
- Don't lose sight of the fact EEA is the decision-maker and scheduler
- But don't be afraid to question notice of eligibility conditions or to appeal an EEA rejection or determination of ineligibility – MAKE YOUR CASE
- Keep EEA informed of project status
- Coordinate and communicate with all players throughout the application process and post-recording

What Else?

Bill to seek CLTC increase in annual cap

SD. 99 & H. 2522

- * increase from \$2 m to \$5m over 3 years
- * would reduce backlog
- * add 10-year sunset
- * allow non-Inc. land trusts to participate
- * passed last year, but failed in conference comm.

What Else?

IRS wants to subtract credit from fed. deduction

- proposed rule, not yet final regulation
- would reduce deduction by amount of state credit
- would be retroactive to August 2018
- Example: \$200,000 federal deduction
 - \$ 75,000 state tax credit
 - \$125,000 net federal deduction



For more information:



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