

Tax Incentives for Donations of Fee Title Land

There are many potential benefits to the conveyance of land out right, also known as “fee title.” Donating land to a qualified charitable organization, such as Ducks Unlimited through its supporting organization Wetlands America Trust, Inc., typically qualifies as a charitable gift for income tax purposes.

The following tax deduction benefits may be applicable to individual land donors:

- The donor will no longer be responsible for expenses related to the land, such as property taxes, as the donor no longer has ownership of the property.
- The donor’s potential estate taxes will be reduced as the value of the donated property is removed from the donor’s taxable estate.
- If the property has been held for a year or longer, the property may be considered as a long-term capital gain. As such, the donor may reduce or eliminate capital gains taxes owed on the asset by donating the property.
- The donor may receive an income tax deduction for the fair market value of the donated property. The maximum charitable deduction is set by federal tax law as a percentage of the donor’s annual adjusted gross income (AGI). For donations of fee title land, the donor may be allowed to deduct up to 30% of AGI in one year. Any excess value of the donation may be carried forward for an additional 5 years.¹

Many factors such as the age, health, tax bracket, and existing donations of the donor factor into potential tax considerations. Given these elements, a tax advisor should be consulted for specific details on potential tax benefits relating to the donation of fee title land.

¹ It is unclear if the 2015 expanded federal tax incentive for conservation applies to gifts of fee title land or bargain sale gifts. The tax incentive is applicable to gifts that qualify under IRC 170(h)(2), Qualified Real Property Interest. Conservation easements are an example of qualified real property interest. Internal Revenue Bulletin:2007-25, September 2017, Questions and Answers, Question 3, https://www.irs.gov/irb/2007-25_IRB; See also Income Tax Incentives for Land Conservation, April 2019 <https://www.landtrustalliance.org/topics/taxes/income-tax-incentives-land-conservation>.