

Gifts of Real Estate

A gift of land to the Gallatin Valley Land Trust is one of the most generous legacies a person can leave to future generations. And it may also result in significant income tax and estate tax savings for the donor. The simplest way to donate land is to make an outright gift of the property to the Gallatin Valley Land Trust. Another possibility is to donate a remainder interest in the land, but reserve the right to use and enjoy the property during your lifetime. It is very important to discuss this type of gift with the land trust so that we know your intentions for the use of the land – that is whether it is of conservation value, or whether its value is to be converted and used for the land trust’s charitable purposes.

More Information:

Outright Gifts of Land:

The first step in making a gift of land is to determine the property’s value. To claim a tax deduction the value must be established by a qualified appraisal. That is, the appraisal must be prepared by an independent, qualified appraiser according to IRS regulations. And a summary of the information in the appraisal must be attached to the donor’s federal income tax return.

Making a gift of land will also remove the property from the donor’s estate and avoid any estate taxes on the value of the property. In addition, if the landowner makes an outright gift of the land, the Gallatin Valley Land Trust is responsible for any property taxes that accrue against the property after the date of the donation.

Gifts of a Remainder Interest in a Residence or Farm:

If a donor makes a gift of a residence or farm but retains a life interest in the property, the donor may still take a current income tax deduction for the value of the remainder interest gifted to the Gallatin Valley Land Trust. The value of the remainder interest is determined using IRS tables and is based primarily on the number and the ages of the life interest holders (often referred to as life tenants). As with other donations the income tax deduction may be limited, so you should consult with your advisor on this.

In general, the fewer the life tenants and the older they are, the greater the amount of the tax deduction. The value available as a tax deduction can change somewhat with changes in federal discount rates, but the variation is principally a function of the age and number of life tenants.

If the donor is the only life tenant, or the donors/life tenants are husband and wife, a gift of a remainder interest completely removes the property from their taxable estate. However, if the donor names a child or some other person as a life tenant, this may create a taxable gift. As with other types of gifts, donors should consult with their own legal, tax, and financial advisors to determine the estate and gift tax consequences of a gift of a remainder interest.

How does a gift of a remainder interest work? The donor executes a standard deed conveying the property to the Gallatin Valley Land Trust, but reserving a “life estate” for the donor and possibly others. The deed requires that during the period of the life interests, the life tenants must pay the property taxes, keep the premises insured, and generally maintain the land and buildings in good condition. If the property generates rental or other income during the donor’s lifetime, the donor retains the right to receive the income.

What will the Gallatin Valley Land Trust do with donated property when it has full title?

It is important for the donor and the Gallatin Valley Land Trust to discuss what will happen to the property before a gift of land is made. If the land has conservation value, the Gallatin Valley Land Trust may place a permanent conservation easement on the property to protect those values. The property will then be sold, and the proceeds used for the Gallatin Valley Land Trust's charitable purposes, for example to protect other land. If public ownership is appropriate, the Gallatin Valley Land Trust may convey the property to a public entity with appropriate restrictions.

If you are considering a gift of land we would be happy to discuss with you how such a gift would benefit both you and the Gallatin Valley Land Trust. It is also important for you to consult with your own legal, tax, and financial advisors to make sure you understand how the donation will impact your tax liabilities and financial position.