

# Charitable Conservation Contribution Tax Credit

Tax Expenditure Committee – November 18, 2015

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# Outline

- ▶ Review the Charitable Conservation Contribution (CCC) Tax Credit
- ▶ Compare federal tax incentives and other states' tax credit
- ▶ Present donor data
- ▶ Demographic data on household claims
- ▶ Takeaways from Evaluation Study

# CCC Tax Credit Overview

- ▶ Equal to 50% of the fair market value of the donated property
- ▶ Maximum amount of the tax credit is \$100,000 per taxpayer
  - Limiting eligible contributions to \$200,000
  - Excess can be claimed as an itemized deduction
- ▶ Nonrefundable
- ▶ Nontransferable
- ▶ 20 year carry forward

# Other States with Similar Charitable Conservation Contribution Tax Credit Programs

- ▶ Twelve states currently offer income tax credits for charitable conservation contributions
- ▶ Six states offer a tax credit of 50 percent of the appraised fair market value of the donated property
- ▶ All are nonrefundable
- ▶ Three states allow tax credits to be transferred
- ▶ None of Iowa's immediate neighbors have a similar credit

# Qualifying Contributions

## ▶ Conservation Easement

- A legal agreement between a landowner and a conservation group that permanently limits the uses of the land by the current landowner and all future owners in order to protect specified conservation values
- Land remains on the property tax rolls

## ▶ Bargain Sale

- Sale of land or interest in land to a tax-exempt conservation organization at a price less than the full fair market value

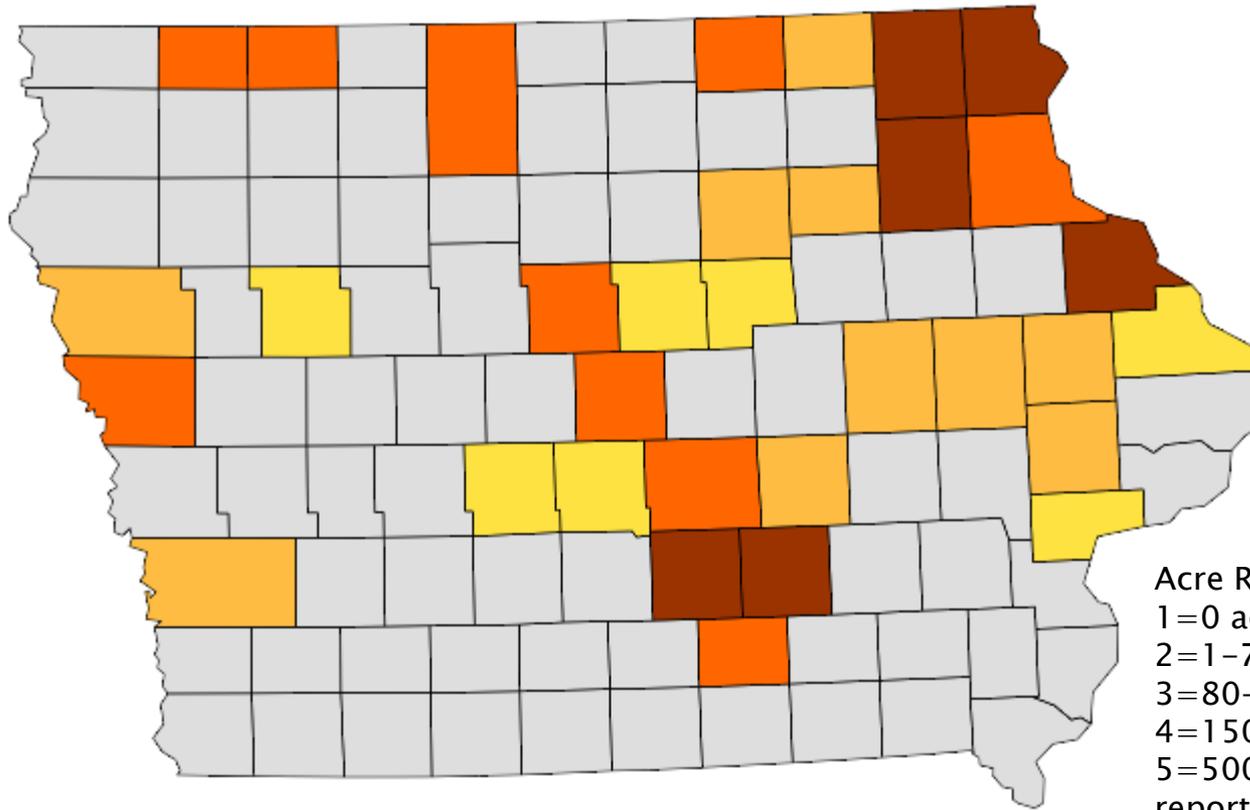
## ▶ Easement Bargain Sale

- A landowner receives partial compensation as incentive to protect land with a conservation easement

# Federal Conservation Easement Deduction

- ▶ An individual's deduction may not exceed 50% of the individual's contribution base (Federal AGI)
- ▶ For corporations, the maximum amount allowable for any taxable year is 10% of the corporation's taxable income for that year
- ▶ An individual who is a qualified farmer or rancher may deduct up to 100% of the individual's contribution base
- ▶ Individuals and corporations can carryforward unused charitable contributions for up to 5 years

# County Location of Identified Donations



Acre Ranks are as follows:  
1=0 acres reported,  
2=1-79 acres reported,  
3=80-149 acres,  
4=150-499 acres,  
5=500 or more acres reported.

Acre Rank 1 2 3 4 5

Source: Available Iowa Department of Revenue 8283 Form Data;  
Iowa Natural Heritage Foundation Annual Gift Data

# Reported Donations by Organization

Organization Receiving Donation	Percent of Donations	Percent of Total Credit Amount	Acres Donated	Percent of Acres Donated	Value of Donation
Iowa Natural Heritage Foundation	54.0%	58.1%	7,990	89.2%	\$13,139,247
County Conservation Boards	14.0%	13.0%	902	10.1%	\$2,839,273
Others	3.0%	1.1%	66	0.7%	\$182,000
Undisclosed	29.0%	27.8%	NA	NA	\$2,578,454

Source: Available Iowa Department of Revenue 8283 Form Data;  
Iowa Natural Heritage Foundation Annual Gift Data

# Initial CCC Tax Credits Earned by Unique Donation

Tax Year	Count	Amount Earned	Average Credit Amount
2008	14	\$713,714	\$50,980
2009	30	\$852,027	\$28,401
2010	36	\$1,501,255	\$41,702
2011	18	\$1,329,288	\$73,849
2012	19	\$981,542	\$51,660
2013	21	\$877,958	\$41,808
Total	138	\$6,255,784	\$45,332

Source: Iowa Department of Revenue  
IA 148 Tax Credits Schedule

# Initial CCC Tax Credits Earned by Household AGI

AGI Range	Count of Credits	Percent of Credits	Credit Amount	Percent of Credit Amount	Average Credit Amount	Percent of All TY 2013 Taxpayers
\$29,999 or Less	9	6.5%	\$345,746	5.5%	\$38,416	37.3%
\$30,000 - \$99,999	28	20.3%	\$690,857	11.0%	\$24,673	44.8%
\$100,000 - \$199,999	37	26.8%	\$1,566,713	25.0%	\$42,344	13.2%
\$200,000 - \$999,999	50	36.2%	\$2,339,873	37.4%	\$46,797	4.2%
\$1,000,000 or More	14	10.1%	\$1,312,595	21.0%	\$93,757	0.5%
Total	138	100%	\$6,255,784	100%		100%

- ▶ **Households with CCC credits tend to have higher income when compared with all Iowa taxpayers**

Source: Iowa Department of Revenue  
IA 148 Tax Credits Schedule

# Initial CCC Tax Credits Earned by Claimant's Residency

Residence	Total Credits	Percent of Total Credits	Credit Amount	Percent of Total Credit Amount
Out of State	23	16.7%	\$895,629	14.3%
In State	115	83.3%	\$5,360,155	85.7%
Total	138	100%	\$6,255,784	100%

Source: Iowa Department of Revenue  
IA 148 Tax Credits Schedule

# Initial CCC Tax Credits Earned by Claimant's Age

Age of Claimant	Count of Credits	Percent of Credits	Credit Amount	Percent of Credit Amount	Average Credit Amount
45 or less	21	12.5%	\$376,504	6.0%	\$47,310
46-55	18	10.7%	\$785,481	12.6%	\$43,638
56-65	46	27.4%	\$1,641,683	26.2%	\$35,689
66-75	43	25.6%	\$1,667,269	26.7%	\$38,774
76 or more	35	20.8%	\$1,493,687	23.9%	\$105,770
Unknown	5	3.0%	\$291,160	4.7%	\$58,232
<b>Total</b>	<b>168</b>	<b>100%</b>	<b>\$6,255,784</b>	<b>100%</b>	<b>\$37,236.81</b>

- ▶ **Includes multiple ages in cases when more than one claimant for a unique donation**

Source: Iowa Department of Revenue  
IA 148 Tax Credits Schedule

# Total Individual CCC Tax Credit Claims

Tax Year	Number of Tax Credit Claims	Amount Carried Forward from Previous Year	Amount of New Tax Credits for Current Tax Year	Amount of tax Credits Applied in Current Tax Year	Amount of Tax Credits Carried Forward to Next Tax Year
2008	16	\$0	\$713,714	\$199,663	\$514,051
2009	44	\$514,051	\$852,027	\$430,993	\$907,504
2010	77	\$907,504	\$1,454,633	\$329,811	\$2,046,205
2011	85	\$2,046,205	\$1,375,910	\$673,779	\$2,706,159
2012	95	\$2,706,159	\$981,542	\$985,292	\$2,604,968
2013	86	\$2,604,968	\$877,958	\$328,527	\$2,930,214
Total	403		\$6,255,784	\$2,948,065	

▶ **\$2.9 million carryforward into TY 2014**

Source: Iowa Department of Revenue

# CCC Tax Credit Claim Timing

Tax Year Credit Earned	Total Earned Credits	Percent Claimed in First Year	Percent Claimed in Second Year	Percent Claimed in Third Year	Percent Claimed in Fourth Year	Percent Claimed in Fifth Year	Percent Claimed in Sixth Year	Amount Remaining
2008	\$713,714	28.0%	30.4%	5.0%	1.7%	4.3%	3.5%	27.2%
2009	\$852,027	25.1%	6.1%	16.4%	14.8%	2.0%		35.5%
2010	\$1,454,633	16.6%	9.9%	20.8%	4.1%			48.5%
2011	\$1,375,910	27.4%	17.4%	4.6%				50.6%
2012	\$981,542	29.2%	4.0%					66.8%
2013	\$877,958	14.2%						85.8%
Average	\$6,255,784	23.4%	13.6%	11.7%	6.9%	3.1%	3.5%	62.2%

- ▶ **Estimated 62.2% claimed within first six tax years**

Source: Iowa Department of Revenue  
IA 148 Tax Credits Schedule

# Cost to the State of Iowa

Tax Year	Acres Reported	Land Value	CCC Tax Credit + Charitable Donation Deduction	Land Value per Acre	State Tax Expenditure per Acre
2008	561	\$837,428	\$365,017	\$1,493	\$651
2009	1,177	\$2,513,529	\$497,160	\$2,136	\$423
2010	1,930	\$5,358,919	\$1,381,827	\$2,776	\$716
2011	3,553	\$4,434,000	\$1,149,393	\$1,248	\$323
2012	1,005	\$1,320,614	\$400,743	\$1,314	\$399
2013	781	\$1,761,030	\$409,616	\$2,254	\$524
Total	9,007	\$16,225,520	\$4,203,755	\$1,801	\$467

- ▶ **Estimated average land value per acre is \$1,801**
- ▶ **Estimated average State tax expenditure per acre is \$467**

Source: Available Iowa Department of Revenue 8283 Form Data;  
Iowa Natural Heritage Foundation Annual Gift Data  
Includes only those donations with available acres and valuation information

# CCC Tax Credit Usage

<u>Tax Year</u>	<u>INHF Donation Projects Reported</u>	<u>Donation Projects Claiming CCC Tax Credits</u>
2008	16	7
2009	26	11
2010	19	12
2011	21	13
2012	12	7
2013	15	4
<u>Total</u>	<u>109</u>	<u>54</u>

- ▶ **Not all charitable conservation donors in Iowa take advantage of the CCC Tax Credit**
  - **Nonrefundable credit not beneficial to nonresidents or Iowa elderly with little Iowa tax liability**

Source: Available Iowa Department of Revenue 8283 Form Data;  
Iowa Natural Heritage Foundation Annual Gift Data

# CCC Tax Credit Program Takeaways

- ▶ **Donated land tends to favor geologically significant areas of the state**
- ▶ **Claimants tend to be predominantly higher income earners and tend to be older than 55 years old**
- ▶ **Over 80 percent of claimants are residents** (all must have income from Iowa in order to claim credit)
- ▶ **The 20 year carryforward window appears to be sufficient for most claimants to utilize the credit to its full extent**