# SALTS

southern alberta land trust society

LTABC Conference

November 8, 2023

Note: almost all landscape photos in this presentation were taken on conservation properties in Livingstone-MacLeod!

Split Receipts for Conservation Easements (Covenants)

- Who is SALTS?
- The evolution of SALTS use of split receipts
- Benefits of split receipts for landowners
- How much do we pay for split receipts
- Tax considerations
- Land trust considerations

SALTS is a rancher led land trust started 25 years ago. We focus on conserving private lands in southern Alberta with the highest watershed and biodiversity values.

We also strive to support ranching on the landscape through the economic and estate planning tools we can provide.

We believe that in Alberta's grasslands and foothills, ranching is the most compatible land use to preserve habitat and watersheds when compared to competing land uses of cultivation, recreation, subdivision, and energy development.

If managed well, grazing can also increase biodiversity and carbon storage, and some species at risk need grazing e.g. burrowing owls

Over 50,000 acres conserved

70 conservation easements (no fee simple properties)

Virtually all our conservation properties are working landscapes

All our easements are Ecogifts except one

### SALTS History of Using Split Receipts

First 15 years/10,000 acres for SALTS almost all easements were pure donation for Ecogift charitable receipt

"Low hanging fruit" was running out – not all landowners could use a multimillion dollar charitable receipt

Also, the charitable receipt by itself didn't support a number of estate planning objectives for families

Next 10 years/40,000 acres for SALTS almost all easements were a split receipt

Facilitated by better provincial and federal funding, split receipts opened up use of conservation easements to a much larger group of landowners

### **Benefits of Split Receipts**

- Landowner can extract some equity from the land without having to sell the land which can help:
  - ✓ parents who want to retire and pass the land to kids but all their equity is tied up in land
  - ✓ Farms/ranches that want to make a capital investment in the operation
  - ✓ Reduction of debt for a farm/ranch
- Helps many who don't have the tax appetite for 100% charitable receipt and would end up giving up a lot of value without the cash payment
- For many, cash payment worth more than charitable receipt value in terms of take home \$

### **Alberta Farmer**

### Sparing grassland from the plow — and from housing developments

A landowner-led group has more than 60 conservation easements covering about 40,000 acres of prime native grassland, foothills and riparian areas.

By <u>Alexis Kienlen</u> Reading Time: 4 minutes Published: March 24, 2023 <u>News</u>



The Kumlins — Matt, Angela and their children Wade, Bennett and Rachel — have part of their land in a conservation easement. They continue to practise regenerative ranching techniques on the land. photo: Holly Nicholl

split receipt transactions? Depends on the funding we can assemble and achieving proper grant match, but for the last

several years we've settled in

value in cash.

around 20-30% of the easement

How much \$ does SALTS pay in its

Our CEs are typically appraised at between 30-50% of fair market value so the cash is around 10-15% of fair market value.

Given the size and value of our properties, the cash often ends up being in the hundreds of thousands up to several million. This is often enough to get people's attention but main motivations still not financial.

### **Tax Considerations**

- Split receipt payment is a capital gain not income
- Obviously reduces the value of charitable receipt and for Ecogifts the zero-inclusion rate value in the event of a deemed disposition
- Creates a somewhat complicated cost base calculation and tracking on top of that being done for a simple donation
- Make sure that donors get good tax/accounting advice and keep track of their cost base!

### Land Trust Considerations

- Where can you find funds to for a split receipt and how does it work with your match requirements?
- What expectations do you create in a community when you begin to pay for split receipts?
- How do you ensure consistency/fairness between neighbours over time when paying for split receipts?
- Do you set a maximum you will pay for a split receipt again to manage expectations in the "market"

### Summary

- Split receipts have significantly increased the uptake of conservation easements in Alberta
- They have benefits for many landowners in addition to the charitable receipt
- Make sure you get good help in explaining the tax implications to landowners and ensure they get good third-party advice
- Think about your land trust's strategy/approach to split receipting in the communities where you work to manage expectations and ensure fairness

## **Thank You!**

# Questions?

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