



## Farmland Easement Agreements: Tax Benefits and Financial Considerations

Farm owners can receive tax benefits by entering into farmland easement agreements with charitable land trusts to protect their farms from urban sprawl and other types of non-agricultural development. Such benefits are intended to make farmland preservation achievable and affordable for farmers and private landowners who choose to make this part of their legacy, and their contribution to a sustainable future for food and farming.

The financial benefits and impact of a farmland easement agreement is affected by variables such as:

- The taxable income of the farm owner
- Whether the donation qualifies as an Ecological Gift
- Availability of the Lifetime Capital Gains Exemption
- Whether all or part of the property is included in the farmland protection agreement

### Property Value & Tax Receipt

As a farmland easement agreement is developed between a farm owner and a land trust, an independent appraiser is engaged to determine the extent to which the conditions of the easement will lower the resale/market value of the property. The farm owner is compensated with a charitable tax receipt from the land trust for the difference between the property's market value *before* the easement is in place, and the value *after* the easement has been registered on the property title. The easement value is treated as a charitable donation to the land trust despite no change in ownership of the farm or any tangible property changing hands.



Farm owners and Ontario Farmland Trust volunteers at a celebration event for the protection of three farms in 2013.



## Ecological Gifts

Environment Canada's Ecological Gifts Program (Eco-Gifts) can provide significant additional tax benefits to a farm owner that protects their property with an easement agreement. While the Eco-Gift Program is geared toward the preservation of natural features like forests, wetlands and grasslands, farms can be eligible for the enhanced tax benefits offered by the program. To qualify, some provisions for the protection of natural areas on farms must be included in the farmland easement agreement and Environment Canada must agree that the property is ecologically significant, according to their criteria. Many properties protected with Ontario Farmland Trust easements have qualified as Eco-Gifts and landowners have benefited from the program.

### Advantages of the Eco-Gift Program include:

- No income limit for calculating the tax credit/deduction that results from an easement donation; it can be applied to 100% of income
  - The ability to use the easement tax receipt/credit against income over a ten year period
  - Corporations can deduct the easement value directly from their taxable income
  - Elimination of any taxable capital gain associated with the easement donation
  - The easement and tax receipt value is certified by the federal government
- The Ontario Farmland Trust can help you navigate the Eco-Gift Program to ensure your property is eligible for these additional advantages, if desired.

## Farm Succession & Tax Planning

Every farm business, fiscal, and family situation is unique and different. The tax receipt and Eco-Gift benefits associated with a farmland easement donation can be applied in many creative ways to benefit your tax planning, estate planning, and farm succession goals. The timing of easement registration and, therefore, the triggering of tax advantages can be an important factor to consider. It is strongly recommended that farm owners work with professional farm advisors, including a certified accountant, to understand fully the financial impact of an easement donation, how to maximize benefits of the easement process for your situation, and how to create the best possible outcome for you, your family, and your farm.

The Farmland Trust is advocating for more provincial and federal support for farmland easement agreements; this includes more incentives for farmers and farm businesses that are proactively protecting their land for future generations.

**This project was funded in part through *Growing Forward 2 (GF2)*, a federal-provincial-territorial initiative. The Agricultural Adaptation Council assists in the delivery of *GF2* in Ontario.**



Ontario

Canada



c/o University of Guelph, SEDRD Guelph, Ontario, N1G 2W1  
(519) 824-4120 ext. 52654  
info@ontariofarmlandtrust.ca

[www.ontariofarmlandtrust.ca](http://www.ontariofarmlandtrust.ca)

