



Instructions for Form IT-242

Claim for Conservation Easement Tax Credit

IT-242-I

General information

The conservation easement tax credit is available to taxpayers who own land that is subject to a conservation easement held by a public or private conservation agency. The credit is not available to New York S corporations or their shareholders.

Credit calculation

The credit is 25% of the school district, county, and town real property taxes paid during this tax year on the **land** subject to the conservation easement. Do not include real property taxes paid on buildings, structures, and other improvements.

- The maximum credit is \$5,000 per tax year.
- If you combine the conservation easement tax credit with any other income tax credit claimed for the school district, county, and town real property taxes, the total cannot exceed the amount of these taxes.
- If you do not use the full amount of the credit against your tax liability this year, you may request a refund or apply the overpayment to next year's tax. However, the Tax Department will not pay interest on the refund or overpayment.

Definitions

Conservation easement means a perpetual and permanent conservation easement on land located in New York State that:

- is held by a public or private conservation agency;
- serves to protect any of the following:
 - open space,
 - biodiversity, or
 - scenic, natural, agricultural, watershed, or historic preservation resources;
- is filed with the Department of Environmental Conservation (DEC) by the person causing the document to be so recorded;
- complies with the provisions of ECL, Article 49, Title 3; **and**
- complies with the provisions of Internal Revenue Code (IRC) section 170(h).

Note: You should maintain adequate records to show the conservation easement's compliance with the provisions of IRC 170(h). This includes, but is not limited to, a copy of federal Form 8283, *Noncash Charitable Contributions*, for the year of the donation. The Tax Department will also accept a letter from the public or private conservation agency stating that the conservation easement was donated or purchased:

- for no consideration or a nominal amount, or
- for less than fair market value (FMV), if the letter is accompanied by an appraisal indicating the FMV of the conservation easement that was made at the time of the purchase of the easement. A qualified appraiser—as defined in federal regulations section 1.170A-13(c)(5)—must make the appraisal.

Dedications of land for open space through the execution of conservation easements for the purpose of fulfilling density requirements to obtain subdivision or building permits are not considered a conservation easement for purposes of this credit.

Land means a fee simple title to real property located in New York State, with or without improvements. This includes rights of way; water and riparian rights; easements; privileges and all other rights or interests relating to or connected with real property, excluding buildings, structures, and improvements.

Public or private conservation agency means:

- any state, local or federal governmental body; or
- any private not-for-profit charitable corporation or trust that:
 - is authorized to do business in New York State;
 - is organized and operated to protect land for natural resources, conservation, or historic preservation purposes;
 - is exempt from federal income taxation; **and**
 - has the power to acquire, hold, and maintain land, or interests in land, for these purposes.

Line instructions

Note: If more than one of the following applies to you, complete **all** appropriate parts on **one** Form IT-242.

Individual (including sole proprietor): Complete Parts 1, 5, and 6.

Partnership: Complete Parts 1, 5, and 6. File Form IT-242 with your Form IT-204, *Partnership Return*, even though it is your partners that are claiming the credit.

A **married couple** in a business enterprise that made an IRC 761(f) election to file **two federal Schedule C forms** instead of a partnership return: If you file jointly, calculate your credit amount as if you were filing one federal Schedule C for the business. Complete Parts 1, 5, and 6.

Fiduciary: Complete Parts 1, 4, 5, and 6.

Partner in a partnership and **beneficiary** of an estate or trust: Complete Parts 2, 3, and 5.

Additional forms: If you have more entries than will fit on the lines provided in Parts 1, 2, 4, or 6, submit additional Forms IT-242, completing only the necessary parts. Include your name and taxpayer identification number on each form. On the indicated lines of the first Form IT-242, include the totals from all additional Forms IT-242. Place the extra forms behind the first Form IT-242 and submit them with your return.

Part 1: Individual (including sole proprietor), partnership, and estate or trust

Enter the information relating to the real property taxes paid during this tax year on land (or a portion of land) subject to a conservation easement held by a public or private conservation agency. If needed, see *Additional forms*.

Column A

Allowable real property taxes mean the school district, county, and town real property taxes paid on the land (or a portion of the land) subject to a conservation easement.

Do not include city or village property taxes, special ad valorem levies, or special assessments. (See Real Property Tax Law sections 102-14 and 102-15 for the definitions of special ad valorem levies and special assessments.)

Enter the real property taxes paid during this tax year for each conservation easement only once. Use a separate line for each conservation easement.

Allocation of real property taxes

If only a portion of the land you own is subject to a conservation easement, or if the property you own includes buildings, structures or improvements that are taxed, do not enter the

full amount of property tax in column A. You must allocate the portion of school district, county, and town real property taxes which corresponds to the portion of your land subject to a conservation easement. Base the allocation on the value of the land.

Your local assessor may be able to tell you the value of the portion of your land subject to a conservation easement (excluding the value of any buildings, structures, or improvements) and the total value of your land subject to taxes. If your assessor is unable to provide this information, you may determine the value by using any other reasonable method, such as basing the value on the recent sale price of similar property in your area. Keep records to show how you allocated the taxes.

Calculating the allocated taxes

The credit applies only to that portion of your total assessment represented by land (not buildings and/or other structures) and to the fraction of the land that is protected by the easement. Calculate as follows:

$$\begin{array}{l} \text{percentage of the assessment represented by land} \\ \times \text{percentage of land protected by easement} \\ \times \text{total property taxes} \end{array}$$

Example

A property owner pays \$10,000 in property taxes on a 100-acre parcel, of which 75 acres is protected by a conservation easement. The property owner learns from the assessor that the house and garage account for a total of 80% of the assessed value of the property, the remaining 20% is represented by land. The allocated taxes would be \$1,500, calculated as follows:

$$\begin{array}{l} .20 \text{ (percent of the assessment represented by land)} \\ \times .75 \text{ (percent of land protected by easement)} \\ \times \$10,000 \text{ (property taxes)} \end{array}$$

If you own land subject to a conservation easement with others, include only the total allowable real property taxes you paid in column A.

Column C

If the land subject to a conservation easement also entitles you to claim any of the following credits, calculate any of these credits that apply to you before you continue with this form:

- the real property tax credit (Form IT-214);
- the farmers' school tax credit (Form IT-217);
- the QEZE credit for real property taxes (Form IT-606);
- the remediated brownfield credit for real property taxes (Form IT-612); and
- the manufacturer's real property tax credit (Form IT-641).

If you included the allowable real property taxes from column A in the calculation of any of the credits listed above, enter in this column the amount of any credits listed above that are based on the same real property taxes. You must also include any school tax relief (STAR) credit claimed under Tax Law section 606(eee) in this column. If only a portion of the credit is based on the same taxes used in column A, prorate the amount of any credits, and enter the result in this column.

Part 2: Partnership, estate and trust information

Enter the requested information for each partnership, estate or trust from which you received a share of the credit. If needed, see *Additional forms*.

Part 3: Partner's or beneficiary's share of credit

Enter your share of the credit you received from a partnership, or estate or trust. If you belong to more than one partnership, estate or trust, enter the total of all your shares on the appropriate lines.

Part 4: Beneficiary's and fiduciary's share of credit

If you are filing Form IT-242 for an estate or trust, enter the fiduciary's share of the credit from column C on line 8. If an estate or trust allocates or assigns the credits to its beneficiaries, calculate the shares of the credit based on each beneficiary's share of the income of the estate or trust. Provide the beneficiaries with their share of the credit. If needed, see *Additional forms*.

Part 5: Calculation of credit

Individual: Enter the amount from line 10 and code **302** on:

- Form IT-201-ATT, line 12; or
- Form IT-203-ATT, line 12.

Partnership: Enter the amount from line 10 and code **302** on Form IT-204, line 147.

Fiduciary: Include the amount from line 10 on Form IT-205, line 33.

Part 6: Conservation easement identifying information

Enter the information for each easement in the same order as the easements are listed under Part 1. If needed, see *Additional forms*.

Address: Enter the address of the land subject to a conservation easement as it appears in your deed or other instrument that records the easement. Include the county and the city, village, or town where the easement is located.

Name of conservation agency: Enter the name of the public or private conservation agency that holds the conservation easement.

Recording information: Enter the recording information (typically county, liber, and page or instrument number) assigned to the conservation easement at the time it was recorded and indexed in the county clerk's office for the county where the property is located. Recording information should be available through the county clerk's office or from the agency that holds the conservation easement.

Date of conveyance: Enter the date the conservation easement was conveyed to the public or private conservation agency.

DEC identification number: Enter the identification number assigned to the conservation easement when it was filed with DEC. This number should be available from the agency that holds the conservation easement. The letters CE have been preprinted in the entry space for the DEC identification number.
