

Conservation Easements and Land Use Assessment



Sarah Richardson, Land Conservation Coordinator
(804) 225-2048

sarah.richardson@dcr.virginia.gov

Virginia Code § 10.1-1011 spells out how to assess lands subject to conservation easements.

- Neither the interest of the holder of a conservation easement nor a third-party right of enforcement of such an easement shall be subject to state or local taxation nor shall the owner of the fee be taxed for the interest of the holder of the easement.
- Assessments must reflect the reduction in fair market value that results from the restrictions in the easement.



Virginia Code § 10.1-1011, continued

- Land subject to an easement in any locality that has land-use assessment and taxation “shall be assessed and taxed at the use value for open space.”
- Once the land with the easement qualifies for land use assessment, it shall continue to qualify so long as the locality has land use assessment.
- Easements held by a public body: “The value of the interest held by the public body shall be exempt from property taxation to the same extent as other property owned by the public body.”

The Composite Index and Conservation Easements

- The composite index is the formula that calculates the state's share of education funding.
- It evaluates how much a locality can afford to pay for schools by calculating the locality's potential tax revenues, including property taxes as measured by assessments.



The Composite Index and Conservation Easements

- ☐ The higher the property assessments in a locality, the more it can afford to fund its own schools, and the less it gets in funding from the state.
- ☐ The Virginia Code tells localities to assess easement lands at the open space land-use rate (Va. Code § 10.1-1011 and § 58.1-3205).
- ☐ **Since land in easements is assessed at a lower rate, the locality is counted as less wealthy so it gets more state funding for schools than if the land were not in easements.**



The Composite Index and Conservation Easements

- ❑ Land in Agricultural and Forestal Districts or subject to land-use taxation does not have the same effect on the composite index.
- ❑ For those lands, the fair market value assessment is used in the formula rather than the land-use assessment, so the locality is counted as more wealthy.



Composite Index of Local Ability-to-Pay

Average Daily Membership (ADM) Component =

$$.5 \left[\frac{\text{Local True Values}}{\text{Local ADM}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Local ADM}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Local ADM}} \right]$$

$$\frac{\text{State True Values}}{\text{State ADM}} \quad \frac{\text{State Adjusted Gross Income}}{\text{State ADM}} \quad \frac{\text{State Taxable Retail Sales}}{\text{State ADM}}$$

Population Component =

$$.5 \left[\frac{\text{Local True Values}}{\text{Local Population}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Local Population}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Local Population}} \right]$$

$$\frac{\text{State True Values}}{\text{State Population}} \quad \frac{\text{State Adjusted Gross Income}}{\text{State Population}} \quad \frac{\text{State Taxable Retail Sales}}{\text{State Population}}$$

Final Composite Index =

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45$$

Conservation Easements: Fiscal Impacts to Localities in the Middle Peninsula

– 2010 Report by MPPDC –

Findings:

1. The tax revenue impact of conservation easements is less than about 0.5% of any given Middle Peninsula locality's annual budget.
2. Rural character is preserved through the conservation of open space, forestal, and agricultural lands that also support the region's traditional natural resource based economy.
3. Easements lower land value and help the composite index.
4. Schools receive more state aid funding because of easements.
5. Commissioners of Revenue are inconsistent when addressing conservation easements.

*A Guidance Document: Consistently Accounting for
Conservation Easements within Your Jurisdiction*

[www.mppdc.com/articles/reports/Conservation
_Easement_Guidance.pdf](http://www.mppdc.com/articles/reports/Conservation_Easement_Guidance.pdf)





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