



## Buying & Selling Virginia Tax Credits

By: Rappahannock County Conservation Alliance

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### For Sellers of Tax Credits (Easement Donors)

As an easement donor, you qualify for Virginia tax credits equal to 40% the appraised value of your easement. For example, if your donation was appraised at \$100,000, you qualify for \$40,000 in Virginia tax credits. You can use your tax credits the year you donate your easement and for ten years thereafter.

If you cannot use all your credits you can sell them to other Virginia taxpayers. If you would like to sell unused tax credits, RCCA will put you in touch with potential buyers.

Here's how it works.

#### 1. Get an Appraisal

Employ a qualified appraiser to determine the dollar value of your easement donation. RCCA can put you in touch with appraisers who have been employed by other easement donors.

#### 2. Complete IRS Form 8283

IRS Form 8283: Noncash Charitable Contributions shows the appraised value of your easement. The form is signed by your appraiser and the donee organization, typically the Virginia Outdoors Foundation.

#### 3. Find a Buyer

Through RCCA or by using a broker.

#### 4. Sign a Letter of Transfer and Sale

You and the buyer negotiate the terms—anywhere from 50¢ to 90¢ on the dollar, but typically 70-80¢. You and the buyer sign a letter describing the sale and transfer of Virginia Land Preservation Tax Credits. RCCA has sample letters you can review with your lawyer. Your buyer then gives you a check.

#### 5. File Two Copies of a Form LPC with the Department of Taxation

One copy notifies the Department of Taxation that land preservation tax credits have been created. The second copy notifies the Department that tax credits have been transferred to another Virginia taxpayer, either individual or corporate.

The Department of Taxation then sends two letters — a letter to you providing a "Credit Transaction Number" and warning that "this letter does not constitute the Department of Taxation's approval of the amount" of the credits claimed, and a similar letter to the buyer, who attaches the letter to his or her individual or corporate Virginia tax return.

### For Buyers of Tax Credits

To see if any sellers are available, call RCCA at 540-987-9118 or send an email to [info@rccava.org](mailto:info@rccava.org). We will try to connect you with a Rappahannock County easement donor who has excess Virginia tax credits he or she would like to sell.

You negotiate the terms of sale with the seller, sign a letter describing the sale and transfer of Virginia Land Preservation Tax Credits, and write the seller a check.

Attach a Form LPC to your Virginia tax return. The seller signs a VA Form LPC transferring the total dollar value of the credits to you. You will receive a letter from the Virginia Department of Taxation providing a Credit Transaction Number and warning that "this letter does not constitute the Department of Taxation's approval of the amount." You attach the letter to your individual or corporate Virginia tax return and use the assigned credits to reduce your taxes by the full amount.

Most tax people take the position that the difference between each \$1 of credit and the lower purchase price for the credit is federal and state income to you, the purchaser.

#### LEGAL NOTE:

This document should not be construed as legal or financial advice. Buyers and sellers of Virginia tax credits should consult their lawyers and financial advisers before entering into any agreement.