



Conservation Tax Incentive Overview

There are various incentive programs available to landowners who choose to adopt conservation practices for their land. A reduction in property tax is not automatic and landowners should review Illinois Department of Revenue Publication-122 ***Instructions for Farmland Assessment*** at <http://tax.illinois.gov/Publications/Pubs/Pub-122.pdf>

This guide provides a few general considerations for landowners, prior to consulting a professional advisor. **The information contained in this fact sheet is general information and should not substitute for professional advice from a tax professional, appraiser, or attorney.**

Income & Capital Gains Taxes

The good news is that CRP and CREP payments provide substantial financial benefits. The bad news is that these payments are usually taxable!

Annual CRP Payments

Annual payments for 10-15 year CRP contracts are usually made during the month of October for the duration of the contract. In most cases, CRP payments are taxable as farm income.

Commonly Used Terms

Equalized Assessed Value (EAV)

The equalized assessed value, or EAV, is the result of applying the state equalization factor to the assessed value of a parcel of property. Tax bills are calculated by multiplying the EAV (after any deductions for homesteads) by the tax rate.

Fair Market Value (FMV)

The Fair Market Value is the amount for which a property can be sold in the due course of business and trade, not under duress, between a willing buyer and a willing seller.

Capital Gains Tax

A capital gains tax is a type of tax levied on capital gains incurred by individuals and corporations. Capital gains are the profits that an investor realizes when they sell the capital asset for a price that is higher than the purchase price.

Assessed Value

The Assessed Value is the value placed on property for tax purposes and the basis for determining what portion of the overall tax burden each owner shall bear

CREP Easement Payment

If enrolling in a 15 or 35-year extension or permanent conservation easement through CREP, you will receive a one-time, lump-sum payment at the completion of your conservation easement project. Generally, this is taxable as a capital gain to the extent that the proceeds exceed the assessed property value.

Cost-Share Payments

Generally, cost-share payments are taxed as farm income. Expenses completing your conservation practice will offset this income in most cases.

Property Taxes

There are four main preferential assessment programs that may assist with keeping taxes low:

- Farmland Assessment
- Illinois Forestry Development Act
- Illinois Conservation Stewardship Program
- Conservation Easement Preferential Assessment

It is important to seek professional advice about which program is appropriate for you.

Farmland Assessment

CRP and CREP acres are often eligible for farmland assessment as cropland or other farmland.

- Expired federal CREP, which has transitioned to a state easement, may no longer be eligible for farmland assessment.
- Cropland is taxed at equalized assessed value (EAV) based upon soil productivity.
- Other farmland is taxed at 1/6th of EAV.
- See *Illinois Department of Revenue Pub-122* for more information.

Illinois Forestry Development Act

Landowners who are interested in managing timber production may be eligible for preferential assessment through the Illinois Forestry Development Act.

- Minimum of 10 acres on which timber is produced.
- Landowner must obtain an approved forest management plan to receive this assessment.
- Forestland in this program is taxed at 1/6th of EAV, based upon soil productivity.
- Contact an IDNR District Forester for information.
- Visit the Forestry division's website at www.dnr.illinois.gov/conservation/forestry

Illinois Conservation Stewardship Program

Landowners should obtain a conservation plan to maintain unimproved land through the Conservation Stewardship Program (CSP) from IDNR or a certified forester or conservation professional.

- Five or more contiguous acres.
- Undeveloped forest, prairie, or wetland not for residential or commercial use.
- CSP parcels are valued at 5% of fair market value for tax purposes.
- Visit the CSP website for more information www.dnr.illinois.gov/conservation/csp

Conservation Easement Preferential Assessment

Lands enrolled in a CREP conservation easement are eligible for the Conservation Easement Preferential Assessment in most cases. See Illinois Department of Revenue Publication 135

Preferential Assessments for Wooded Acreage

<http://tax.illinois.gov/Publications/Pubs/Pub-135.pdf>

- Download form PTAX-337-R and send to IDNR for certification.
<https://www.dnr.illinois.gov/conservation/CREP/Documents/MoreInfoLinkPTAX-337-R.pdf>
- Properties in counties with populations under 200,000 should be valued at 8.33 % of fair market value.
- Properties in counties with populations over 200,000 should be valued at 25% of fair market value.

Consulting a Professional Advisor

You should consult a professional tax and/or legal advisor to assess your particular situation. This general reference is not a substitute to professional advice.

Example Questions for Professionals

- What payments get taxed?
- When will my payments be taxed?
- At what rate are the payments taxed?
- Will my cost-share payments be taxed?
- Are the conservation practice installation costs eligible farm expenses?
- What are the property tax implications?
- What is my property tax assessment category?
- Would changing my property tax assessment category be beneficial?
- What are the long term tax implications?
- What are the short term tax implications?
- What are the tax benefits (short term and long term)?
- How will enrolling in a CREP easement affect my property value?