

Donation with Reserved Life Estate

A reserved life estate lets you donate your land now to a conservation organization or agency, but you reserve the right to use that property during your lifetime.

With a reserved life estate:

- The landowner can enjoy continued use of all or part of the property during his or her lifetime. The reserved life estate may also allow a spouse or immediate family members to use the land throughout their lifetimes too.
- The landowner knows the gift has been accepted. In contrast, donation by bequest, as discussed on the previous page, is not accepted until after the landowner's death. The landowner never sees the outcome of the gift.
- This is considered a partial donation of your land, so you may be eligible for income tax deductions.

From an income tax viewpoint, a donation with reserved life estate is middle ground between a bequest and an outright land donation. A bequest offers you no income tax benefits; a full donation allows you to deduct the full land value. Donation of land with reserved life estate is partly deductible.

The Internal Revenue Service's actuarial tables are used to determine the life expectancy of those who receive lifetime use; then the value of using the land each year of the life expectancy is estimated. That portion of the land value cannot be deducted. If you reserve use for the life of a spouse or child as well as your own life, the possible income tax deduction may be greatly reduced.

“One of the primary aims of Northern Prairies Land Trust is to conserve property with the potential for keeping land in agriculture, ranch or other open space use.” John Davidson, NPLT President

The donor usually must continue to pay real estate taxes on that portion of the land retained for use.

The agency or conservation organization receiving the land may prefer a donation with reserved life estate if its management would like to own the property someday but does not wish to accept the responsibilities of immediate ownership.

