

Testimony of

**Mark C. Ackelson, President
Iowa Natural Heritage Foundation
Before
U.S. Senate Finance Committee
June 12, 2001**

NAME: Mark C. Ackelson, President
Iowa Natural Heritage Foundation

ADDRESS: 444 Insurance Exchange Building
505 Fifth Avenue
Des Moines, Iowa 50309
(515) 288-1846
(515) 288-0137 (fax)
mackelson@inhf.org

**PRESERVING AND PROTECTING OUR NATURAL RESOURCES
WITH CONSERVATION EASEMENTS
A PUBLIC-PRIVATE PARTNERSHIP FOR CONSERVATION**

Good morning, Mr. Chairman, honorable committee members and especially Senator Grassley. Thank you for the invitation to testify today regarding conservation easements, a public-private partnership for natural resource conservation. My name is Mark Ackelson. I am President of the Iowa Natural Heritage Foundation and one of the founders and former Chair of the Land Trust Alliance.

The Iowa Natural Heritage Foundation was created in 1979 by leaders from Iowa's business community to bring the support of the private sector to natural resource conservation issues in Iowa. Over 5600 donors support us. And we are pleased to count among our loyal supporters, Senator Charles Grassley and his wife, Barbara who have been members since 1983. We view protection and restoration of Iowa's natural resources as an important investment in the future of our state, quality of life, health and economic well being.

The Foundation is one of the more than 1,200 nonprofit land trusts that have been created throughout the United States. Every state now has at least one land trust. Iowa, for example, has 7 and Montana has 13. Land trusts are local non-profit organizations created by local citizens and dedicated to working with private landowners on land conservation within each of their communities. The Colorado, California and Wyoming cattlemen's associations have formed land trusts. Many land trusts are oriented toward preservation of agricultural lands; others have been formed to protect wetlands and other wildlife habitats. Others protect historical sites, including civil war battlefields and archeological areas.

These land trusts work together through our national association, the Land Trust Alliance.

Each land trust organization is responding to important local needs and using the tools available through voluntary protection. These tools include acquisitions of land by fee title and conservation easements using voluntary methods, public and private funding and incentives provided by local, state and federal taxing authorities. Federal tax incentives are a crucial element of the formula for preserving important lands throughout our country.

A conservation easement is a less-than-fee ownership interest in real property. Landowners who grant conservation easements give up some of their full ownership rights. The result is a shared ownership of that land that guides its future use and management.

According to The Landowner's Guide to Conservation Easements, a book released earlier this year with support from the American Farm Bureau Federation, "Conservation easements are becoming more popular each year among owners of open-space lands. They provide a means to save taxes, preserve the inherent productivity and character of property, and insure that the lands remain in their current use forever, free from the threat of development."

According to the Land Trust Alliance, the land trusts in the United States held more than 2.4 million acres of conservation easements in 1998, and we expect an updated census of land trusts being conducted this year to show considerable growth in that number. Over the past decade, the use of conservation easements by local and regional land trusts has grown 1.7 times faster than their acquisition of land in fee; and more than 2.7 times as fast as other forms of protection, including the transfer of lands to government conservation agencies.

Let me explain to you how important natural resource conservation is in Iowa and more specifically how tax incentives are being used and can be further enhanced. But first, you need to understand the Iowa landscape.

Iowa has one of the most altered landscapes in the country. We have lost 99.99% of our native prairie, which once covered approximately 85% of our state. We have lost 98% of our wetlands and physically eliminated approximately 3,000 miles of streams. In addition, last year the Environmental Protection Agency and Iowa Department of Natural Resources listed 157 water bodies as impaired. Recently expanded citizen and professional monitoring has begun to document other major water quality problems as well. These losses have not been without tremendous economic gain in the conversion to agriculture.

Ninety-eight percent of our land is privately owned. We are strong advocates of private property rights and responsibilities. Our public and private agencies are now working even more closely together with private landowners to help restore

balance to our landscape. Protecting what we have and restoring a portion of what we have lost is our major challenge. Landowners are responding to this challenge.

Since our found in 1979 we have worked in partnership with landowners and other public and private agencies to permanently protect and restore over 65,000 acres of land in Iowa. Clearly, there is much more work to be done. We have been able to accomplish this work through partnerships with not only landowners and other agencies but also the general public, i.e. taxpayers, through tax incentives.

According to the American Farmland Trust, one million acres of agricultural land are converted annually to other uses. According to recent Iowa State University studies, Iowa, a state with extremely modest growth, is losing approximately 26,000 acres of agricultural land per year. The purchase or contribution of conservation easements on these lands can help guide growth and protect important natural resources and productive.

The Iowa Natural Heritage Foundation has completed over 60 conservation easements on 6,500 acres. All of these conservation easements were donated. The estimated value of these conservation easements is \$11 million. They were made possible because landowners wanted to see their special lands protected for future generations. Most of the lands remain in private ownership and on the local tax rolls. Landowners exercised their private property rights to insure the future integrity of these lands.

None of these donations would have occurred without the strong conservation ethic of the landowners that contributed the conservation easements. But most Iowa landowners are land rich and income poor, and many of them could not have afforded to make those donations without the deductibility of the fair market value of the donated easements under Section 170(h) of the Internal Revenue Code – it simply would not have been financially possible.

Many landowners in Iowa still cannot afford to donate conservation easements even with the current deductibility allowance and five-year carry forward provisions. Their land represents their principle asset for annual income and retirement. To make it possible for these landowners to make a commitment to conservation, we need to be able to give them more – by increasing the tax benefit to them of making a conservation donation, or by providing funds to purchase a conservation easement from them – or both.

The USDA's Wetland Reserve Program, WRP, is a voluntary conservation easement program. This program provides federal funds to acquire conservation easements from willing sellers on frequently flooded farmlands. Recent figures from the USDA's Natural Resource Conservation Service show that over one million acres have been restored and protected under this program since it was

authorized in 1990. In addition, there are over 3,150 offers from landowners on another 562,000 acres. In Iowa alone, nearly 75,000 acres have been offered by over 700 landowners at an estimated cost of \$130 million. Purchase of these conservation easements awaits additional authorization and funding from Congress. Clearly this program is popular with landowners.

Another program that holds great promise in Iowa and elsewhere is the Farmland Protection Program. This program provides matching funds with local and state governments and non-profits to preserve agricultural land and open space.

A reduction or elimination of the capital gains tax on properties for conservation purposes would encourage many more landowners to take advantage of this conservation tool. In particular, it would encourage landowners who are thinking of selling their land to consider conservation as an option, and it would make scarce conservation funding go further. Section 126 of the Internal Revenue code exempts income from some conservation payments from taxation. Why not exempt the income from the sale of a conservation easement?

So, in conclusion, what can you do to encourage use of private property rights to attain public natural resource conservation goals?

1. Continue to support the nation's land trusts and encourage private landowner conservation;
2. Provide ample funding to the Wetlands Reserve Program and the Farmland Protection Program;
3. Eliminate or reduce taxes on the sale of conservation easements and other property interests for conservation purposes; and
4. Extend the income tax deductibility for donations of conservation easements or land, so that more farmers can afford to donate such easements.

Thank you for this opportunity to appear before you today.