



May 2, 2018

Senator Karen Spilka, Chairwoman
Senate Committee on Ways and Means
State House
Boston, MA 02133

RE: Senate Support to Enhance Conservation Land Tax Credit in State Operating Budget

Dear Chairwoman Spilka,

Thank you for your leadership, time, and effort preparing the Fiscal Year 2019 State Operating Budget (budget).

We respectfully request the Senate Committee on Ways and Means include an outside section in the budget to enhance the Conservation Land Tax Credit (CLTC) program.

By a roll call vote, the House of Representatives unanimously adopted Budget Amendment 1248 to increase the annual cap for the CLTC from \$2 million to \$5 million per year. The increase would be incremental; \$1 million per year for each of the next three years, with a ten year sunset. The text of the amendment is based on H.3855, which was reported favorably by the Joint Committee on Revenue in 2017.

We urge the Senate to increase the annual cap for the CLTC program – an essential tool that has been highly effective at conserving the Commonwealth’s most critical natural resources for the past seven years. By the end of 2018, the CLTC program will have permanently protected 12,146 acres of significant conservation land, including prime forest soils (working forests), prime agricultural soils (working farms), natural good/services (water quality protection), and rare and endangered species habitat.

The CLTC program is highly effective. Every \$1 of state tax credits has leveraged \$4.29 of private land donated value. Unfortunately, there is a chronic backlog, and the program has been unable to meet demand since its inception. The current backlog is \$3.3 million, many landowners cannot afford to wait until 2020, and we will lose key opportunities to set aside critical private lands.

The proposal to amend the CLTC would:

- Raise the annual cap of the Executive Office of Energy and Environmental Affairs' (EEA) CLTC Program from \$2 million to \$5 million per year – an incremental increase of \$1 million per year for each of the next three years.
- Amend the definition of "public or private conservation agency" which may receive donations of land subject to a conservation tax credit to include realty trusts organized for conservation purposes pursuant to Chapter 203. Please note: more than a third of land trusts in Massachusetts are organized as realty trusts.
- Provide a ten-year sunset.

Program Description

Launched in 2011, the CLTC program allows taxpayers (individuals and corporations) a refundable conservation land tax credit for qualified donations of certified land to a public or private conservation agency. The certification process is conducted by EEA for land that is permanently protected and has significant conservation value, such as farming or forestry, wildlife protection or water quality.

Currently, the CLTC is subject to an annual \$2 million cap and is equal to 50% of the fair market value of the qualified donation up to a maximum credit of \$75,000 for each qualified donation. This is a refundable tax credit: the donor receives a rebate on any income taxes due for that calendar year and receives a refund check for the difference, up to the maximum \$75,000 (or half the donated amount, whichever is less). Land trusts often play a key role in assisting landowners throughout the donation process.

Supply and Demand

As of April 4, 2018, total dollars requested for 2018 and beyond are \$5,034,600. Of that, \$1,984,100 has been committed to 2018 projects. There remains an additional \$3,330,500 in requested projects being pushed into 2019 and 2020. As the program operates on a first-come-first-served basis, any new applications received this year will not be eligible for funding until 2020, at the earliest. Many landowners cannot wait this long as they have financial needs that may be prompting the timing of their applications. In addition, as this happens, the CLTC gets out of sync with other state land protection programs, which hinders the ability for municipalities, agencies, and land trusts to leverage programs to maximize outcomes. This comes at a time when there is an unprecedented transition in ownership across the Commonwealth and an enormous opportunity to conserve ecologically and economically valuable lands. Surveys of private landowners by the U.S. Forest Service and EEA document that owners want to preserve and actively manage their land – which is a perfect match with the CLTC Program.

Justification: Economic Benefits of Land Conservation

In a 2013 Report, The Trust for Public Land analyzed the economic value of natural goods and services provided by lands conserved by Massachusetts between 1998 and 2011 (<https://www.tpl.org/return-investment-parks-and-open-space-massachusetts>). For every \$1 invested in land conservation, \$4 in natural resource goods and services is returned to the Massachusetts economy. These services benefits municipalities and include water quality protection, flood control, air pollution removal and storm water management.

Justification: Revenue Cycling

Land conserved under the CLTC Program helps generate revenue from private sector activity in forestry, agriculture, and recreation, or saves public revenues in water supply protection.

- **Forestry:** The annual Gross State Output of Massachusetts's forest products industry totals nearly \$ 3.0 billion while the forest-based recreation economy generates approximately \$2.2 billion annually. Approximately 17,000 workers are employed in the forest products, maple and Christmas tree sectors while another 9,000 jobs are found in the sectors that include and support the forest recreation economy. The value of climate regulation, freshwater supply, storm water mitigation, nutrient regulation, biodiversity, soil retention and aesthetics attributed to the state's forest land is estimated at \$2.9 billion.
- **Agriculture:** The average acre of Massachusetts farm produces \$26,000 in total annual output (direct and indirect value from processing). Assuming 1/2 of those acres are actively farmed each year, \$22.4 million in total output per year.
- **Recreation:** Recreational trails in Massachusetts often cross a matrix of public and private land. Massachusetts sees \$16.2 billion in recreational consumer spending each year and conserved land is critical to support this portion of our economy.
- **Water Supply Protection:** Each forested acre that drains to a public water supply source filters 543,000 gallons of drinking water per year (providing the equivalent need of 19 persons) with an annual value of \$2,500.

Justification: Strategic Investment

The Commonwealth has protected about half of the high priority conservation land identified in collaboration between the environmental agencies and conservation community. Currently about 24% of the Commonwealth is protected as open space, which is owned by state and federal agencies, municipalities, private landowners and nonprofit conservation organizations, and about 23% is developed. Therefore, there are about 2.75 million acres of private land that is unprotected and undeveloped which is owned by approximately 350,000 land owners. Statewide conservation plans recommend ultimate protection of about one million acres of those remaining acres, which include prime drinking water supply protection, wildlife habitat, coastal resources, farmland, recreation sites and working forests. Assuming these remaining "top priority conservation" lands of the state are owned by about 100,000 owners, the potential applicant pool for this program is huge. The program has already become a key conservation tool to highlight when they approach landowners for donations. The land trusts are also driving the high quality of the natural resources conserved under this program – as they are actively reaching out to owners of strategic land and Massachusetts has the most land trusts on a per capita basis in the nation.

Justification: Leveraging the Commonwealth Capital Investment

As you know, the 2018 Environmental Bond is moving through the House of Representatives. Commonwealth bond funds for land acquisition and this tax credit for private donation of conservation land interests are two very different approaches to further a shared objective: the strategic and leveraged conservation of open space and natural resources. The tax incentive has been a great way to stretch the bond dollars and achieve more with the same bond spending.

State agencies work to leverage the bond funds by collaborating with other entities and leveraging additional investments (e.g., nonprofit conservation organizations, land trusts, municipalities, federal agencies, private landowners, etc.) and by negotiating below fair market value “bargain sales” with owners, for purchase at below the market value of the land. When a state agency or land trust negotiator sits down with a landowner, the CLTC is part of a broad array of complementary strategies to eventually bring the project to completion.

Broad-Based Support

Finally, the increase to the credit has broad-based bipartisan support. Representative Kulik and House Minority Leader Jones have collaborated for a decade to first enact the CLTC statute, and consistently support its improvements. As mentioned above, the bipartisan amendment passed unanimously during the House FY18 Budget debate, and the program has been used in 12 of 14 counties across the state.

Please consider including this proposal to raise the cap on the CLTC program in the Senate Ways and Means Operating Budget. The increase of the annual cap and expanding the definition of eligible conservation agencies would eliminate the backlog of this successful program and enable our organization to collaborate with private landowners to conserve land for farming, forestry, wildlife and clean water.

Thank you for your time and consideration. Please feel free to contact Emily Myron (617-532-8311; emily.myron@tnc.org) or Steve Long (617-532-8367; slong@tnc.org) of The Nature Conservancy should you have any questions.

Sincerely,

Carolyn Sedgwick, Executive Director, Massachusetts Land Trust Coalition

Karen Heymann, Legislative Director, Mass Audubon

Steve Long, Director of Government Relations, The Nature Conservancy

Rob Warren, Managing Director of Conservation, The Trustees of Reservations

Linda Orel, New England Director of Conservation Finance, The Trust for Public Land

Heather Clish, Director of Conservation & Recreation Policy, Appalachian Mountain Club

Richard Hubbard, Executive Director, Franklin Land Trust, Inc.

Mark Robinson, Executive Director, The Compact of Cape Cod Conservation Trusts, Inc.

Dorothy McGlincy, Executive Director, Massachusetts Association of Conservation Commissions