

BARGAIN SALE EXPLAINED



A bargain sale—where a conservation easement is sold to a land trust or qualified conservation organization for less than appraised fair market value—has elements of both a sale and a charitable donation. Below are the steps to executing a bargain sale.

- 1** Landowner meets with land trust to explore feasibility and mutual interest.
- 2** Landowner secures legal, tax, and estate planning advice from qualified professionals.
- 3** Land trust reviews project for conservation value, feasibility, and tax compliance.
- 4** A Letter of Intent (LOI) is signed outlining the process, responsibilities, and anticipated purchase price.
- 5** A baseline documentation report (required by the IRS to validate the donor's intent) is commissioned by the landowner. May be completed by the land trust and fees may be waived if public access is granted.
- 6** The landowner hires a qualified appraiser to determine the value of the conservation easement within 60 days of closing, then submit an IRS Form 8283 to claim a charitable donation.
- 7** The land trust will require a stewardship donation that will be placed in an endowment to ensure funding for annual monitoring and enforcement. The land trust may help fundraise for this contribution.
- 8** The land trust will create a full project budget, including the purchase price, landowner donation, and all transaction costs. They will pursue federal, state, private, and community funding. Landowners are not expected to fundraise directly but may be asked to attend meetings with potential funders and sign disclosures for grants.
- 9** The land trust will allocate funds for the legal defense of the easement. These funds are restricted and reserved for future enforcement, if needed.
- 10** Upon closing, the land trust will issue an acknowledgment letter describing the property and confirming receipt of the easement gift. The letter will not include a dollar value. This letter is required by the IRS for tax documentation.
- 11** The landowner is responsible for notifying the County Assessor that an easement has been recorded. This can help ensure the property is assessed based on its agricultural or open space use, not its development potential.



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