

# PECONIC LAND TRUST



## PURCHASE OF DEVELOPMENT RIGHTS

Local municipalities and Suffolk County have Purchase of Development Rights (PDR) programs designed to protect farmland. Through these programs, a landowner voluntarily agrees to sell all, or a portion of, the development rights on his or her land to a municipality.

- The landowner retains ownership and the right to farm, sell, and pass the land on to heirs. A sale of development rights provides cash to the landowner.
- Participation in a PDR program is voluntary and is initiated by a letter from the landowner expressing an interest in selling development rights to the local Town or to the County.
- Following an appraisal by a certified real estate appraiser, the municipality offers the landowner a per-acre price that is based on the appraisal.
- As with the sale of any real estate, the landowner's participation in the program is not legally binding until the offer has been accepted and a contract has been signed.
- The purchase of development rights may also be combined with other land conservation tools that may add potential tax-savings benefits, such as limited development, bargain sale, charitable gift of a conservation easement, a gift of land in fee, like-kind exchange, or installment sale. Depending on the individual circumstances of the landowner, a combination of conservation techniques may be more financially beneficial to the landowner.
- Because the value of the land is reduced, the estate taxes that the heirs must pay on this asset will also be less. Of course, the cash proceeds from the sale will be included in the gross estate, unless these funds are spent or gifted prior to the death of the landowner.
- Depending on the basis, the landowner may also be subject to capital gains tax on the sale proceeds.

In 1998, the five East End towns (East Hampton, Riverhead, Shelter Island, Southampton and Southold) obtained from the New York State legislature the right to bring forward a new real estate transfer tax, which has provided significant tax revenues for the acquisition of farmland development rights, open space and environmentally sensitive lands. [Click here](#) for more information on the Peconic Bay Region Community Preservation Fund.