



ISLAND  
NATURE  
TRUST



# Protecting Natural Places in Prince Edward Island





The mixed landscape of woodland, field, stream and shore in Prince Edward Island produces deep attachments in its people.

Their love for a particular place in that landscape often spans over generations and can become the glue that holds a family together in good and bad times.

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### *Protect your land*

As our Island changes and responds to global economies, some long to have just one small part of their world stay comfortably the same.

While it isn't possible to freeze a place in time, it is possible to set aside some of those special natural places and protect them from development, allowing them to change naturally on a geological timeline rather than an accelerated human one.

This booklet gives you a brief introduction to those options.

Our staff at Island Nature Trust would be happy to discuss these options with you in greater detail if you wish to find out more.



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Island Nature Trust is a land trust, incorporated in 1979 to conserve natural ecosystems in PEI. We acquire land through donation and purchase, protect it under legislation that prevents development, and manage it to sustain healthy, robust natural environments.

We also assist private landowners who wish to conserve and protect their own land. Several options are available for people who cherish their piece of heaven on the Island and want to ensure it is protected for their lifetime and beyond.



# Protecting Private Land



## The Value of Restrictive Covenants

If you own land and don't want to give up ownership but do want to help protect it, a restrictive covenant might be your best approach to communicate your vision for the land into the future.

A restrictive covenant is a legal agreement between you, the Province, and sometimes a third party like Island Nature Trust. It outlines what activities are allowed and not allowed on the land and provides a management plan to maintain the natural assets of the land over the long term.

For the purpose of land conservation on the Island, a restrictive covenant can be developed under the Natural Areas Protection Act (NAPA) or the Wildlife Conservation Act (WCA). NAPA is focused on restricting development for the protection of land itself and its natural features in perpetuity, whereas the WCA is focused on the protection of a habitat for a single species or wildlife group that might be using the land.

The restrictive covenant and the accompanying management plan are written using legal terminology that many find intimidating. The drafters of the documents will work with you, ensuring the activities you wish to allow and not allow on your property are clearly defined.

You will be afforded as much time as you wish to review and feel comfortable with the documents before signing them. Once the covenant is signed by all parties, it is legally binding. It also follows with the deed and protects the land beyond your lifetime.

## Healthy Environment

If your property has a small area with a cottage or house and contains a larger area of healthy natural woodland, wetland, or shoreline, it may be possible to still protect a portion of your land. Developed land areas with buildings, roads, or other infrastructure would need to be exempted out of the protected area. The restrictive covenant must be accepted by the legislator, the Province, and so the more intact the natural area is, the more likely it is to proceed without hitches through the designation process.

Once your land is designated under NAPA, as a natural area, or WCA, as a wildlife area, it is exempt from property taxes. This is in recognition of the services the land provides for the public good in helping to maintain a healthy environment for all Islanders. It may have a lower market value because it cannot be developed. This could be a negative (if you wish to sell) or a positive (if the land is part of an estate and will be subject to lower capital gains).



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If you are considering protecting your land with a restrictive covenant, you are welcome to contact Island Nature Trust or the Province (Forest, Fish and Wildlife Division).

# Finding the Option that Suits You and Your Family

In order to narrow down the options that best encompass your vision for the land, it can be helpful to start with a few key questions. You can find more information about the options listed below in following sections of this booklet.



## Do you want to retain ownership of the land?



You can protect your land with a restrictive covenant, through the Natural Areas Protection Act or the Wildlife Conservation Act. You retain title.



You can consider transferring ownership to a land trust or the province with the understanding that they protect it with a restrictive covenant and manage it accordingly.

If you know that your family does not want to keep the land over the long term, there are several options for transferring ownership and ensuring that the land stays protected.



# Designating Private Land with a Restrictive Covenant Under the Natural Areas Protection Act



1

You can contact Island Nature Trust or the Province expressing your interest in protecting your land.

2

Representatives from either or both groups visit your land and assess its ecological makeup.

3

Based on their assessment, they can tell you whether or not the land would qualify as a natural area (under NAPA) or as a wildlife area (under WCA).

4

If it qualifies, the assessors will seek your input to draft restrictive covenant and management plan documents, establishing what activities you wish to allow and not allow. Developed land, buildings, roads, or other infrastructure are not allowed and will be exempted out of the designated areas. They will draft these documents and revise until you are comfortable with the content.

5

If a candidate for a natural area, the agreed upon draft designation documents will go to a NAPA Technical Advisory Committee for review. Should they suggest changes, these will come back to you for approval.

6

Once everyone is satisfied, the finalized restrictive covenant and management plan will go to the Executive Council for approval and designation under the respective Act.

## DO YOU WANT TO ENJOY THE LAND FOR YOUR LIFETIME AND DONATE IT TO A LAND TRUST WHEN YOU PASS?



You can leave the land to a land trust in your will.



You can transfer title to a land trust earlier and retain a life estate interest for yourself.

## DO YOU WANT TO DONATE THE LAND RIGHT AWAY?



A straight donation to a land trust comes with a charitable tax receipt for the fair market value of the land.



The land may also qualify as an Ecological Gift, a federal program that provides capital gains tax relief.

## DO YOU WANT TO DONATE THE LAND BUT CAN'T AFFORD TO?



A split receipt option allows for a part sale, part donation. The donation portion must be at least 20% of the fair market value and is eligible for a charitable tax receipt from a land trust.



In instances where the land has very high ecological value, a land trust or the province may consider a purchase.





# Leaving a Gift of Land in Your Will or With a Life Interest

Do you love being on your land and worry about what will happen to it once you pass? Leaving a gift of land to a land trust is an incredibly generous act and may also be the best way to ensure it is cared for over the long term in a manner that reflects your values.

If you wish to leave a land bequest to Island Nature Trust, please let us know sooner rather than later. Having advance knowledge allows us to assess the land and ensure we can take on its management needs. It also provides you with the opportunity to communicate your vision for the land so that we can honour your gift by staying true to your vision. Together, we can craft a short statement of intent that outlines how you want the land protected in the future.

It is always important to consult your own lawyer and accountant extensively when considering a gift of land. Island Nature Trust has a template of wording for a will that your lawyer might find helpful. It is available by contacting the INT office at any time. All gifts of land, even when part of an estate, are subject to capital gains tax and your accountant can help you determine approximately what that amount might be. If the land is ecologically sensitive, it may qualify as an Ecological Gift and that extra designation comes with an exemption from capital gains tax. You can find out more about Ecological Gifts later in this booklet.

If you wish to see the ownership transferred early, for peace of mind and to contribute more meaningfully to a long-term management plan for the land, then you could consider donating the land and retaining a life estate interest. A life estate allows you to occupy and/or use the land as you wish until the end of your lifetime, but title would transfer to Island Nature Trust right away, rather than at the time of your passing. If you find it increasingly difficult to manage the land on your own, this option allows you to divest some of those management responsibilities while continuing to enjoy using the land as you always have.

Gifts of land as a bequest also doesn't preclude you from protecting it under legislation beforehand, while you are the owner. That would allow you to benefit from property tax relief during your lifetime.

# The Ultimate Gift: Donating Land for Protection

While we strongly encourage anyone interested in donating land to speak first with their lawyer, the following description should give you a broad sense of what the donation process looks like.

Island Nature Trust has an internal process for accepting land donations that ensures we follow good standards and practices. When you contact us to offer land, we would first visit the land to assess its natural state. Next, the property would be brought to our Land Acquisition board of directors who then ultimately votes on whether to accept the donation.

Given that you have already made the generous offer to donate, Island Nature Trust tries to cover as many of the costs associated with the land donation as possible. We ask you to sign a gift agreement that clearly outlines who is responsible for what.

Island Nature Trust pays for the appraisal that establishes the fair market value of the property. We pay for the fees associated with the transfer of the deed and title search. If there is a need for a survey and subdivision or establishment of a legal right-of-way, we may ask the donor to share in these costs depending on how extensive they are. You pay for your lawyer, accountant, and capital gains tax associated with the land transfer. The appraised value of the land is used as the amount for the registered charitable tax receipt, issued to you by Island Nature Trust upon transfer of title.

Some of these steps take time and it is not always possible to respond quickly to an offer of land. Obtaining an appraisal for vacant land, for instance, often takes six weeks or more. However, taking a bit of extra time in the beginning should ensure that nothing is missed along the way.



# Ecological Gifts



When you've made the significant decision to donate land for protection, it can seem deeply unfair to then be expected to pay capital gains tax on a transaction that hasn't benefitted you financially. Unfortunately, that is how the tax system in Canada works.

If you are donating land that you've owned for a long time, the capital gains tax could be substantial. However, should the land qualify as an Ecological Gift, it would become exempt from all capital gains tax. Island Nature Trust can help you through the additional paperwork required for this designation, which includes documentation of how the land meets the criteria for ecological sensitivity and commissioning of an appraisal from an Ecogift-certified appraiser. Island Nature Trust is a certified grantee and can therefore receive an Ecological Gift.

# Donations of Land by Americans



Many American families have long held summer residences in PEI and feel the same strong ties to the landscape as year-round residents. Choosing to donate land for its protection is a superb act of caring, and one for which it is more difficult to provide any small reward in the form of tax relief.

Land donations in the United States are not subject to capital gains tax; however, land donations in Canada are subject to Canadian capital gains tax regardless of ownership. In addition, a registered charitable tax receipt from a Canadian registered charity land trust will not be usable for American income tax purposes.

In some instances where the valuation for the land is high enough, it may be possible to work through a third-party such as the American Friends of Canadian Conservation to provide some tax relief to American donors. Island Nature Trust can provide further guidance should these circumstances apply.



# Purchase of Ecologically Significant Land

Your circumstances may not allow consideration of a donation of land and in that instance, Island Nature Trust may consider a purchase or a split-receipt.

A split-receipt is a sale of land, where a portion of its fair market value is donated, in exchange for a charitable gift receipt, and a portion is purchased. Canada Revenue Agency will allow a donation of 20% or more of the fair market value. The remaining portion would be the purchase price. A split-receipt can also be an Ecogift, meaning that the donated portion would also be exempt from capital gains tax. Your accountant can provide you with more details on the benefits of choosing this option. Depending on your income, the benefits associated with the tax receipt may outweigh the benefits of a higher purchase price.

In rare circumstances, Island Nature Trust will consider purchasing a property of high ecological value. In those instances, the expectation would be that additional costs associated with surveys or right-of-ways would be the seller's responsibility. Island Nature Trust may also ask to pay the purchase price in installments over two or three years.

# Donor Highlight

Since establishing ourselves in 1979, INT has been highly reliant on our generous land donors.

INT and other environmental organizations have a significant challenge ahead. Now more than ever, we need your support.

If you own land in Prince Edward Island that holds ecological value such as forests, bogs, marshes, and untouched coastal properties, please consider donating to Island Nature Trust.

Acquired properties are registered under the Natural Areas Protection Act and are actively maintained by our INT Stewardship Team.

All land donations are protected for future generations of Islanders and wildlife to enjoy.



The Hansen-Maclsaac Natural Area, donated by Carl Hansen & Dan Maclsaac in 2020, is a 327-acre property in Forest Hill. Rich in lowland forest and home to CO<sub>2</sub> absorbing fen peatland—a natural combatant against climate change. The Hansen Maclsaac Natural Area was the largest single land donation INT has received since 1979.

# Stewardship

## What Happens After

Stewarding land responsibly, in the context of protection forever, is a significant undertaking. It lies at the heart of Island Nature Trust's mandate for land conservation. With over 7000+ acres of land in natural areas across PEI, we cannot work to retain and restore ecological integrity on these lands without the significant support of Islanders.

In the short-term, managing lands is a supreme collaborative effort between our dedicated volunteer Conservation Guardians and staff. Over the long-term, Island Nature Trust maintains investments in a Stewardship Fund to support the ongoing maintenance costs associated with land conservation.

Natural areas maintained by Island Nature Trust have varying needs, including forest diversification through planting of native trees and shrubs missing from the mix, control of invasive species, cleanup of garbage from beaches, wetlands and forest, trail maintenance, and monitoring and enhancement for wildlife use.



## DID YOU KNOW?

As of 2022, Island Nature Trust owns and actively stewards over 120 properties, including 76 natural areas and approximately 7500 acres across Prince Edward Island.

# Case Study Examples\*

## Example 1: Fee Simple Donation

John Doe works for a production company in PEI, Canada and has taxable income of \$90,000 each year. Fifteen years ago, John purchased a 50-acre parcel of land containing a healthy forest and small stream for \$30,000. Today, the fair market value of the land is \$100,000.

Originally John intended to build a house on the land, but after substantial renovations to his existing home, he has decided he would like to stay where he is. John has no children and has decided he would like to sell, or potentially donate, the land. He knows that if he donates the land to a land trust that is a registered charity, he will receive a charitable tax receipt. He has approached his accountant to better assess his options.

Details	Option 1: Sale (\$100,000)	Option 2: Full Donation	Notes:
<b>A: Appraised Value</b>	\$100,000 (no charitable receipt, proceeds of \$100,000)	\$100,000 (charitable receipt of \$100,000, no proceeds)	Per appraisal
<b>B: Legal Fees with closing</b>	\$1,500	\$1,500	Estimate
<b>C: Adjusted cost</b>	\$30,000	\$30,000	Original purchase (does not consider property tax or other additions to adjusted cost base)
<b>D: Capital gain</b>	\$68,500	\$68,500	A - B - C
<b>E: Taxable capital gain</b>	\$34,250	\$34,250	D x 50%
<b>F: Taxes payable on land transaction</b>	(\$14,538)	(\$14,538)	Additional taxes from land disposal (2020), estimate
<b>G: Tax savings from donation receipt (in year of disposal)</b>	N/A	\$37,250	Estimate, there is a carry-forward donation amount of \$7,010 that can be used in subsequent years (valued at approx. \$3,160)
<b>H: Taxes (payable) or refundable</b>	(\$14,538)	\$22,712	Estimate based on simplified scenario
<b>Net (proceeds of sale - taxes on land transaction)</b>	\$83,962	\$21,212 + approx. \$3,160 future tax savings of charitable tax receipt carry forward = \$24,372	<p>A-B+H The net difference is \$ 59,590 between the sale and the donation when the value of the donation carryforward is considered.</p> <p>At first it may seem like John loses out on \$100,000 by donating the land instead of selling it; however, the real difference is approximately \$59,590 (with the donation saving over \$ 40,000 in taxes payable).</p>



# Case Study Examples\*

## Example 2: Split Receipt

Jane Doe works as a medical secretary in Charlottetown, PEI and has taxable income of \$ 45,000 each year. Twenty years ago, she inherited a 100-acre property containing a hardwood forest and wetland. When she inherited the property, the fair market value was \$ 50,000, but with recent development in the area she learned the property is now worth \$ 200,000. Jane has no intention of building on the property and is considering selling the property to pay off some long-standing debt. She was recently approached by a real estate company who offered \$ 200,000 to purchase the property. While Jane could use the money, she is hesitant to see the property developed. She knows of a local land trust that is a registered charity that has other property in the area. While she would love to donate the full parcel, she cannot afford to, so she starts a conversation with the land trust and her accountant to better explore her options. Jane learns that the land trust does purchase land, but also there is an option for a split-receipt transaction – a partial sale combined with a partial donation. As long as she donates at least 20% of the appraised fair market value, she would be eligible for a charitable receipt for the donated portion. Jane asks her accountant to run a few scenarios to see what the tax implications would be of a full sale, a 20% donation and a 50% donation, assuming that an appraisal confirms the realtor's offer price.

Details	Option 1: Sale (\$200,000)	Option 2: Partial Donation (50%)	Option 3: Partial Donation (20%)	Notes:
<b>A: Appraised Value</b>	\$200,000 (no charitable receipt, proceeds of \$200,000).	\$200,000 (charitable receipt of \$100,000, proceeds of \$100,000)	\$200,000 (charitable receipt of \$40,000, proceeds of \$160,000)	Per appraisal
<b>B: Legal Fees with closing</b>	\$2,000	\$2,000	\$2,000	Estimate
<b>C: Adjusted cost</b>	\$50,000	\$50,000	\$50,000	Inherited fair market value (does not consider property tax or other additions to adjusted cost base)
<b>D: Capital gain</b>	\$148,000	\$148,000	\$148,000	A - B - C
<b>E: Taxable capital gain</b>	\$74,000	\$74,000	\$74,000	D x 50%
<b>F: Taxes payable on land transaction</b>	(\$28,171)	(\$28,171)	(\$28,171)	Additional taxes from land disposal (2020), estimate
<b>G: Tax savings from donation receipt (in year of disposal)</b>	N/A	\$35,279 There is a donation carry-forward of \$10,905 that can be applied in subsequent year (valued at approx. \$4,940 to Jane)	\$18,529	Estimate
<b>Taxes (payable) or refundable</b>	(\$28,171)	\$7,108	(\$9,642)	Estimate based on simplified scenario
<b>Net (proceeds of sale - taxes on land transaction)</b>	\$169,829	\$105,108 + approx. \$4,940 in future tax savings = \$110,048	\$148,358	A - B + C After considering taxes and net proceeds, Jane may want to consider donating a portion of the property.

# Case Study Examples\*

## Example 3: Ecological Gift

Jessica Doe is seventy-five years old and lives in Eastern PEI. Her annual income is \$ 70,000 and she owns several investment properties across the Island. Most of the properties are rental units on small acreages that her son and daughter-in-law manage on her behalf. However, there is one 200-acre property on the coast. This has always been Jessica's dream property. Over the years Jessica and her late husband established a trail system leading through the old growth Acadian Forest down towards the coastal bluff. The property also contains salt marsh and is home to both migratory birds and several species at risk. Jessica does not want to see the property developed and would like to donate all or a portion of this property to a local land trust.

Jessica also learns that if she proceeds with a donation, she might be eligible for the Ecological Gifts program (EcoGift), which would eliminate the capital gains tax paid on the donated portion of the land and further reduce taxes payable for the year. This is appealing to Jessica, because she knows if her son inherits the property, he may have to sell it to a developer in order to pay the associated taxes. Jessica and her husband had purchased the property sixty years ago for \$ 40,000 and the property is now worth \$ 350,000.

Details	Option 1: Sale (\$350,000)	Option 2: Partial Donation (50% Donation, EcoGift)	Option 3: Full Donation (EcoGift)	Notes:
<b>A: Appraised Value</b>	\$350,000 (no charitable tax receipt, \$350,000 proceeds).	\$350,000 (\$175,000 charitable tax receipt, \$175,000 proceeds)	\$350,000 (\$350,000 charitable tax receipts, no proceeds)	Per appraisal
<b>B: Legal Fees with closing</b>	\$2,000	\$2,000	\$2,000	Estimate
<b>C: Adjusted cost</b>	\$40,000	\$40,000	\$40,000	Original cost (does not consider property tax or other additions to adjusted cost base)
<b>D: Capital gain</b>	\$308,000	\$308,000	\$308,000	A - B - C
<b>E: Taxable capital gain</b>	\$154,000	\$154,000 X 50% = \$77,000 (no capital gains on EcoGift)	\$154,000 X 0% = \$0 (no capital gains on EcoGift)	D x 50%
<b>F: Taxes payable on land transaction</b>	(\$69,408)	(\$32,575)	(\$0)	Additional taxes from land disposal (2020), estimate
<b>G: Tax savings from donation receipt (in year of disposal)</b>	N/A	\$46,922 Carry-forward donation amount of \$64,750 that can be used in subsequent years (valued at approx. \$25,400 to Jessica and used over two additional tax years)	\$16,251 Carry-forward donation amount of \$305,349 that can be used in subsequent years (valued at approx. \$112,550 to Jessica and used over seven additional tax years)	Estimate
<b>Taxes (payable) or refundable</b>	(\$69,408)	\$14,347	\$16,251	Estimate based on simplified scenario
<b>Net (proceeds of sale - taxes on land transaction)</b>	\$278,592	\$187,347 + approx. \$25,400 in future tax savings = \$212,747	\$14,251 + approx. \$112,550 in future tax savings = \$126,801	A - B + C A partial or full donation could provide large tax benefits to Jessica, especially if the property can be donated as an EcoGift.

# Ways to Support Island Nature Trust

Other ways you can help INT further its mission:

- Donate cash or land
- Join our membership and receive up-to-date information on our initiatives, and then help spread the word
- Support INT and partner lead fundraising initiatives
- Volunteer to become a Conservation or Beach Guardian
- Join us on one of our many free public outdoor excursions and learn first-hand about what we do

SUPPORT

BECOME A MEMBER

DONATE

JOIN US

## Corporate Sponsorship

Island Nature Trust is seeking corporate sponsorships from a small number of local businesses that share an interest in the environment and promote a strong set of social values. Corporate social responsibility (CSR) figures prominently in a growing number of businesses globally, and many local companies have risen to the challenge. Land conservation is everyone's business and Island Nature Trust appreciates the strides many of you have taken to be more active and aware of the fragility of our beautiful Island home.

If you are interested in discussing corporate sponsorship opportunities, please email [development@islandnaturetrust.ca](mailto:development@islandnaturetrust.ca) or call 902-892-7513.



\*Case examples are of single people with no dependents, living in Prince Edward Island. It is assumed that any remittances (federal tax, provincial tax, CPP, and EI) relating to taxable income were already submitted. These are generic, very simplified examples and your tax situation is likely much different than the fictional individuals portrayed. These examples are based on 2020 tax rates. We strongly recommend working with your own accountant and/or lawyer to identify what option works best for your unique situation if you are considering selling or donating a property to Island Nature Trust.

*Please contact us for more information:*

**PO Box 265  
Charlottetown, PE  
Canada, C1A 7K4**

*[www.islandnaturetrust.ca](http://www.islandnaturetrust.ca)*

✉ [conserve@islandnaturetrust.ca](mailto:conserve@islandnaturetrust.ca)

☎ (902) 892-7513

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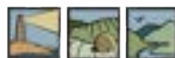


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