

Maryland Agricultural Land Preservation Program

PAYMENT OPTIONS FOR SELLING AN AGRICULTURAL PRESERVATION EASEMENT

This Fact Sheet describes the payment options available when you sell an easement to the Maryland Agricultural Land Preservation Foundation (MALPF).

Payment Options

When you are made an offer to purchase an easement on your property, you must choose how you wish to be paid: either the entire amount at closing ("lump-sum"), or annual installment payments over two to 10 years.

1. "Lump-sum" Payment Option. This payment option is simply the payment of the full amount of the offer at settlement.
2. Installment Payment Option. This option is available for settlement by taking payments in equal amounts over 2 to 10 years. You may elect to take a certain amount at the time of settlement, and divide the remainder of the offer equally to be paid annually over the subsequent years. The funds not taken at settlement but to be paid as annual installments are invested in certificates of deposit at the interest rate in effect on the day of deposit. Each installment includes interest minus one-quarter of one percent of the interest earned to cover the administrative costs of the Treasurer's Office. This payment option is typically used by landowners seeking to spread the impact of this taxable event over more than one year.

The Foundation strongly recommends that you consult with a tax professional before you choose your payment option and complete the option contract. The amount paid to you at closing and any subsequent interest or principal payments are based on the amount you specified in the option contract unless acreage adjustments are made or certain payments are required by the payment option you have chosen.

If you decide to make a change in your payment option after submitting the option contract, the settlement process stops until you initial and return a revised schedule. If a change were to take place after the settlement check is ordered, the check must be stopped and a new check ordered for the revised amount. This will take additional time. As the settlement date approaches, you may no longer have the option to change your payment choice. To avoid delays in settlement, **please review your payment needs and the tax consequences at your earliest convenience.** If, after you have sent in the option contract, you discover the need to revise the payment option or schedule, notify the Foundation immediately.

Please note that, due to constraints posed when State bond funds are used, the choice to use the installment payment option may be limited or carry certain

conditions for offers made by the Foundation containing bond funds. If you receive such an offer, you will be informed of any limitations or conditions that apply.

PLEASE NOTE: The Assistant Attorney General who acts as legal counsel to the Foundation and the Assistant Attorney General for the Department of General Services are employed to serve the interests of the State of Maryland. They cannot provide you with legal advice and should not be considered as your attorney. The Foundation and its legal counsel cannot provide tax advice.

This fact sheet is a public document and is provided for general information only. If you have a question about a specific law, regulation, option contract, or deed of easement, please consult legal counsel.

Last revision: January 15 2015.

MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
MARYLAND DEPARTMENT OF AGRICULTURE
The Wayne A. Cawley, Jr. Building
50 Harry S. Truman Parkway
Annapolis, Maryland 21401
Telephone: 410-841-5860
Fax: 410-841-5730

<http://www.mda.maryland.gov/malpf/Pages/Fact-Sheets.aspx>