



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240



In Reply Refer To:
FWS/AFHC-DHRC-BHR 044226

MAR 22 2010

Memorandum

To: Regional Directors, Regions 1-8

Through **Acting** Director

From: Assistant Director, Fisheries and Habitat Conservation
Assistant Director, Endangered Species

Subject: Endangered Species Tax Deduction

We would like to bring to your attention a provision in the 2008 Farm Bill that allows landowners a tax deduction for expenditures paid or incurred for the purpose of achieving site-specific management actions recommended in recovery plans approved pursuant to the Endangered Species Act. The 2009 tax year is the first tax year this deduction can be claimed. The endangered species tax deduction is included in the section of the Internal Revenue Service (IRS) code (26 USC Sec. 175) that currently allows taxpayers engaged in the business of farming a tax deduction for expenditures incurred for the purpose of soil and water conservation. In essence, if you are a farmer or rancher and you carry out an action that is recommended as a recovery action in a signed recovery plan, you can deduct the cost of that action from your federal income tax, up to 25 percent of your gross income from farming. For purposes of this deduction, forestry and timber production are not considered to be farming.

The Fish and Wildlife Service (Service) will likely be receiving inquiries from landowners interested in claiming the endangered species tax deduction. We must be clear to those inquiring that the Service does not interpret the IRS code or provide tax advice and therefore cannot make a determination as to whether expenditures for a particular action qualify for the endangered species tax deduction. However, the Service can assist landowners and their tax advisors in finding the information they need to make their own determinations regarding the deduction, including the consistency of a particular action with the site-specific actions in approved recovery plans. Farmers and ranchers with questions regarding their eligibility for the deduction should contact the IRS or their tax advisor. The IRS publishes a Tax Guide for Farmers at: <http://www.irs.gov/pub/irs-pdf/p225.pdf> that includes a chapter dealing with conservation expenses (Chapter 5) and the qualifications for the endangered species tax deduction.



In order to assist landowners and their tax advisors, the Service has information available online at http://ecos.fws.gov/tess_public/ where individuals can obtain lists of threatened and endangered species by county, including the status of recovery plans and associated management actions contained in those recovery plans. The attached fact sheet and list of frequently asked questions were developed to help Service staff, our partner organizations and the general public access the information needed for this new tax provision. We will keep you apprised as information related to the endangered species tax deduction is updated or posted online.

Service staff likely to receive inquiries about this deduction should be familiar with the information resources available to assist landowners interested in taking conservation actions on their private lands that will contribute to the recovery of listed species. Please share this information with both our Federal and non-Federal partner agencies and encourage them to share this information with landowners.

Please do not hesitate to contact Julie Moore (703) 358-2096; (julie_h_moore@fws.gov) or Dave Walker (703) 358-2310; (dave_walker@fws.gov) if you have questions or need additional information.

Attachments