

Black Canyon Land Trust

Serving the Uncompahgre, North Fork, and Lower Gunnison Watersheds

IRS and State of Colorado Audits

BCLT does not provide its landowner partners with legal or financial advice as to the consequences of placing a conservation easement on their property. With the recent scrutiny of conservation easements by the IRS and the State of Colorado, it is critical that landowners ensure their conservation easement provides a “significant public benefit,” as well as a credible easement valuation. If the State of Colorado or the IRS were to audit your conservation easement donation, the items below indicate things that may be scrutinized and the party responsible.

<i>Landowner</i>	<i>Land Trust</i>
<i>Likely items audited by IRS or State of Colorado</i>	<i>Likely items audited by IRS or State of Colorado</i>
<ul style="list-style-type: none">• Appraisal:<ul style="list-style-type: none">○ Appraiser Qualifications○ Valuation before and after donation○ Appraised reserved rights match the reserved rights in the conservation easement.• Base Line Report• Tax Documents	<ul style="list-style-type: none">• Conservation easement provides a “Significant Public Benefit”<ul style="list-style-type: none">○ Conservation values meet IRS criteria○ Conservation easement accurately states the conservation values○ Conservation easement restricts residential, commercial or agricultural development adequate to protect the stated conservation values• Land Trust reviews the Baseline Document to insure the IRS criteria are met• Land Trust collects legal and stewardship endowments to enforce the restrictions placed by the conservation easement

We strongly recommend that you consult with your legal and/or financial advisors with respect to the easement as well as hire baseline and appraisal consultants that provide the highest quality documents. By IRS regulation, specific conservation values on your property must be outlined in the baseline and maintained in perpetuity by the land trust in order to generate potential tax benefit to the landowner. However, donating a conservation easement to BCLT is not a guarantee of the Colorado State Conservation Tax Credit or Federal tax deduction. In a situation where the IRS or the State of Colorado begins to question the credibility of an individual conservation easement, it will become the landowner’s responsibility to prove the validity of the tax benefits claimed.