

Black Canyon Land Trust

Serving the Uncompahgre, North Fork, and Lower Gunnison River Watersheds
www.blackcanyonlandtrust.org

COLORADO CONSERVATION EASEMENT TAX CREDITS

THE COLORADO STATE LAW

Colorado is one of the few states that provide a state tax credit for the donation of a conservation easement with qualified conservation values as outlined by the Internal Revenue Service. The following provides a general overview of the Colorado Conservation Easement Tax Credit.

What is a Conservation Easement Tax Credit?

A conservation easement tax credit is credit to a taxpayer that is generated by placing a qualified conservation easement on a piece of property within the state. Taxpayers qualified to claim the credit must be - Colorado residents, C Corporations, trusts, estates, or members of a pass-through entity who receive the credit from the entity. The donation must be in perpetuity and must qualify as a charitable contribution for federal income tax purposes. A taxpayer is limited to one conservation easement donation tax credit per year.

How do I use my tax credit?

There are three potential ways in which a Colorado Conservation Tax Credit can be utilized.

1. A taxpayer may claim a credit against their net tax liability reported during the tax year of the donation.
2. A taxpayer may transfer (sell) all or a part of a tax credit to another taxpayer or taxpayers. The transferee(s) may apply the credits against their Colorado income tax obligation. This is often done through the assistance of a tax credit broker. This option is most common among landowners, as it puts cash directly into the hands of the landowner.
3. A taxpayer may elect to claim a partial refund from the State, if the State revenues are in excess of certain TABOR thresholds. The maximum credit that can be claimed for donations made after January 1, 2003 is \$50,000.

How much is my tax credit worth and how long does it last?

The donative value of a conservation easement is determined by a qualified independent appraiser and is unique to each easement. The value is determined by taking the fair market value of a property without an easement, less the determined appraised value of the same property encumbered by an easement. Once an easement value has been determined, Colorado law will allow you claim 50% of the value as a tax credit, not to exceed a tax credit value of \$375,000, which is equivalent to an easement value of \$750,000. Once a state tax credit is generated, the landowner may take all or a portion of the value the same year. If not all of the tax credit is used in the year of the donation, there is a carry forward period of an additional 20 years to use the remaining credit value.

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