



Senate Bill 206 Will Help Landowners Make More Money Conserving Land and Create Larger Inventory of Tax Credits for Buyers

We've all felt the effect of lower numbers of tax credits being created in Colorado over the past three years. Pending Colorado Senate Bill 206 would change that trend in several very important ways. A landowner with a larger parcel of land could **earn up to \$1.5M in Colorado tax credits in a single year** – no more long, dragged out conservation easement processes and all of the annual expenses related to that. A landowner with a smaller parcel of land would get up to an **additional \$25,000 in tax credits** to help offset the increased transaction costs. Buyers will be able to purchase the credits they need because **more tax credits will be available** each year. *Please help us ensure that this law passes so we can all benefit!*

What is the law today?

As things stand right now, the state allows an income tax credit equal to 50% of the fair market value of the donated portion of the conservation easement, with a cap of \$375,000 for each easement donated. For example, if the donated value of landowner's conservation easement is \$600,000, under the current rules landowner would get a \$300,000 tax credit (50% of \$600,000). If a landowner donated a \$1.2M conservation easement, they would get only \$375,000 in tax credits because they would hit the annual individual cap.

Benefits to Large Landowners

Large landowners who have had to do their conservation easements over a number of years in order to benefit from the tax credits, now can do essentially four years' worth of conservation easements in a single year. For nearly a \$3M conservation easement donation, SB 206 would allow a large landowner to earn \$1.5M in Colorado tax credits. The formula is 75% of the first \$100,000 and 50% of any remaining donation up to a total credit of \$1.5M. This will help large landowners to be able to **know that their whole ranch is protected** and not have to worry about whether the tax credit program will be discontinued part way through their donation process. This will also help large landowners to **only pay their transaction costs one time** to conserve nearly \$3M worth of land. Under the current law, they would have to pay for transaction costs every year for four years to earn that number of tax credits. Since transaction costs are averaging \$50K in Colorado these days, that is a big savings! Click [here](#) for more information about transaction costs and to see our guide to donating a conservation easement.

Benefits to Small Landowners

With transaction costs topping \$50,000, it is hard for a landowner who is making a \$200,000 conservation easement donation to walk away with anything in their pocket as a thank you for permanently protecting their land for future generations. Under the current law, a landowner making a \$200,000 donation would earn \$100,000 in tax credits. If they sell their tax credits for 83%, they will receive \$83,000 for their donation. After subtracting out \$50,000 in transaction costs, there isn't much left to use to improve the ranch or put away for retirement. **SB 206 would allow for small landowners to receive an additional \$25,000 in tax credits** because the formula would change to 75% of the first \$100,000 and 50% of everything after that. In our example, our landowner would receive \$125,000 in tax credits (\$75K + \$50K).

Benefits to Buyers

The tax credit program has been challenging for buyers for the last four years. With lower quantities of tax credits available, it's been challenging to predict whether a buyer will be able to purchase tax credits for their tax return. If SB 206 passes, the law would be retroactive to January 1, 2015. That means that landowners would be creating more tax credits this year and many landowners who have been sitting on the sidelines would be enticed to jump in to participate in the conservation easement process. We anticipate that Colorado would hit or come close to hitting the state's \$45M annual tax credit cap for 2015 if SB 206 passes. In the past four years, the largest quantity of tax credits created was \$27M so creating \$45M would be a huge positive change. Buyers would still have an incentive to purchase credits early, but **there would be less of a risk that we'd be all sold out** as tax day approaches.

Show your support for SB 206

Our proactive legislation to increase incentives for conservation easement donors is set to appear before the Senate Agriculture Committee as early as next week. The bill currently has bipartisan sponsorship from Sen. Ellen Roberts (R-Durango) and Sen. Mary Hodge (D-Brighton). House co-sponsors are Rep. Alec Garnett (D-Denver) and Rep. Jon Keyser (R-Evergreen). Click [here](#) to read the actual bill – it's only two pages long! **Please encourage your local representative to vote for this bill** and support Colorado's land conservation efforts. Don't know who your legislator is? Find them [here](#)!

Like always, we are here for you!

Things may be changing legislatively, but you can still count on us to provide top notch service. From reviewing due diligence before turning in the tax credit application to ensuring buyers and sellers file the right tax forms with the Department of Revenue, **Tax Credit Connection is here for you.** We look forward to an even brighter 2015 with you!

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This information is not intended to be legal or financial advice. Please consult your own advisor.