



EAGLE VALLEY LAND TRUST

Initial Guidance Regarding Tax Benefits

Federal Income Tax Benefits: When a conservation easement donation meets federal tax code requirements, that value may qualify as a charitable deduction against the landowner's federal income tax. The charitable deduction is determined by a qualified appraiser. This deduction may be used to offset up to 50% (100% for qualified farmers or ranchers) of the landowner's adjusted gross income per year for a total of 16 consecutive years, or until the donation value is expended, whichever comes first. Under current IRS regulations regarding state and local tax treatment, the amount of the deduction must be reduced by the amount of any tax credits noted below.

Colorado State Tax Benefits: Qualified private property owners from Colorado may be eligible for transferable tax credits for all or a portion of the conservation easement value. The conservation easement value is determined by a qualified appraiser. The value of the tax credits are determined at 90% of the conservation easement value (the maximum owners can receive is \$5M in credits, which can only be distributed in increments of up to \$1.5M annually). Owners then can 1) apply the conservation tax credit against their state income tax liability, 2) transfer (sell) the tax credit to another taxpayer that needs it for their state income tax liability, or 3) claim a cash refund from the state in revenue positive years. Any portion of the tax credit not used in the year of donation can be used in the 20 succeeding income tax years. The sale of the tax credit generates taxable income. No additional credits can be claimed until the original grantor or the transferee have used or forfeited tax credits created prior to 2014. The amount of credits available is limited and requires filing with the State. Tax credit certification requires review by the State prior to generating any credits. Check with the Land Trust for more information.

Estate Tax Benefits: When a conservation easement is placed on a property, most often the property value will be decreased and this will decrease the taxable value of the deceased's estate. In addition, if the easement qualifies under certain provisions of the Internal Revenue Code, then 40% of the property value remaining after the granting of an easement can be excluded from the value of the estate, up to a maximum exclusion of \$500,000.

Property Tax Benefits: If the property is being taxed at the agricultural rate at the time the easement is placed, the landowner may continue to receive the favorable agricultural tax treatment even if agricultural production is discontinued in the future.

DISCLAIMER: This document does not constitute legal advice or opinion in any way and EVLT does not guarantee the accuracy of the information contained herein. Landowners should consult qualified independent professionals to obtain legal, financial and tax advice before concluding that a donation of a CE would be eligible for tax benefits. EVLT will not knowingly participate in a project where it has significant concerns about the appraisal or eligibility of the CE to meet the requirements of applicable federal or state regulations. Even if EVLT accepts a donated CE and agrees in writing to recognize donation value, EVLT expressly does not guarantee, and makes no representations implied or otherwise, on legal or financial (including tax, estate, or real estate) matters, or that the transaction has donation value, or that the donation will receive tax benefits.