



## **CAN I REALLY PRESERVE MY LAND AND MAKE MONEY? HOW TO TURN CONSERVATION EASEMENT TAX CREDITS INTO CASH**

Conservation easement income tax credits are a land preservation tool available to help Colorado landowners preserve their working farms and ranches, and protect wildlife habitat and scenic views. Conservation easement tax credits enable landowners to get compensation for the development potential of their land without developing it. In order to receive conservation easement income tax credits, a landowner must donate a conservation easement to a qualified conservation organization.

A conservation easement is a permanent restriction on how the land can be used, often preventing or limiting commercial, industrial and residential development in order to protect conservation values (wildlife habitat, open space, public recreation, working agricultural lands and scenic vistas, among others). The land stays in private ownership and can be mortgaged, leased, sold or passed to heirs; however, the restrictions stay with the land forever.

A landowner's major reward for donating a conservation easement is to earn Colorado state income tax credits. The value of the credits is based on a qualified appraisal of how much value the landowner is giving up by permanently restricting the use of their land. For example, if the property was worth \$1,000,000 as a potential subdivision (what could be done today), but is only worth \$600,000 as farmland and one house site (as restricted by the conservation easement), the donation value would be the difference between the two, or \$400,000. The landowner will earn tax credits worth 50% of the donation value up to a cap of \$375,000. In our example, the landowner would earn \$200,000 in tax credits (50% of \$400,000). Landowners can use tax credits toward their state income tax liability for up to 20 years.

For many people, their state income tax liability is low enough that using the tax credits is not attractive. The other option is to sell all or some of the credits through a tax credit broker for approximately 83% of the face value of the credit.

Buyers of the credits have an incentive because they buy the credits at a discount, saving money on their taxes. For example, a buyer may purchase \$100,000 in tax credits for 88% of face value or \$88,000 and save \$12,000 on their state taxes. Buyers are interested in purchasing tax credits that are capable of withstanding any challenges by the IRS or the State of Colorado; therefore, it is important that landowners hire qualified professionals and work with experienced land trusts. We will gladly help you locate an experienced land trust and select the best professional team available. Just give us a call or visit our website using the contact information below.

Donating a conservation easement isn't the best fit for all landowners, but for those who want to stay on their land and ensure that it remains undeveloped, a donation can allow for a cash infusion and the peace of mind that the farm will always remain a farm and the elk will always have a place to graze.

### **For more information, please contact:**

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