

Colorado Legislative Council Staff Fiscal Note
NO FISCAL IMPACT

Drafting Number: LLS 07-0523	Date: April 6, 2007
Prime Sponsor(s): Rep. Madden Sen. Isgar	Bill Status: House Finance Fiscal Analyst: Chris Ward (303-866-5834)

TITLE: CONCERNING THE IMPLEMENTATION OF ADDITIONAL REQUIREMENTS TO VERIFY THE VALIDITY OF A STATE INCOME TAX CREDIT CLAIMED BY A TAXPAYER FOR DONATING A CONSERVATION EASEMENT IN THE STATE.

Summary of Assessment

The bill sets forth additional requirements to verify the validity of state income tax credits claimed by a taxpayer for donating a conservation easement in the state:

- **Taxpayers claiming a conservation easement tax credit** must file a statement with the Department of Revenue reflecting the specific nature, location, and value of the easement and the amount of the credit claimed;
- **Organizations that accept a conservation easement** for which a state income tax credit is claimed must submit certain information to both the Department of Revenue and the Department of Natural Resources; and
- **Appraisers valuing conservation easements** must submit an affidavit specifying certain information related to the easement, such as the value of the easement and the manner in which the appraisal was conducted.

Conservation easements must be valued by licensed appraisers in accordance with specified provisions of federal law and uniform standards for professional appraisal practice. A second appraisal may be required at the taxpayer's expense if the initial appraisal appears to represent a gross valuation misstatement, and the Department of Revenue must report any substantial and gross violations in appraising conservation easements to the State Board of Real Estate Appraisers. The department must also create a publicly accessible report on any conservation easement for which an income tax credit is granted.

The bill is assessed as having no fiscal impact. It does not change the eligibility for any state income tax credits and will require only a minimal amount of additional time for data entry and to develop new forms and reports. The bill takes effect August 8, 2007, assuming the General Assembly adjourns May 9, 2007, as scheduled and no referendum petition is filed.

Background. The conservation easement tax credit was first effective for the 2000 income tax year. It provides taxpayers with a credit equal to 100 percent of the first \$100,000 donated plus 40 percent of the amount donated over \$100,000. The total tax credit cannot exceed \$260,000, which equates to a donation of \$500,000. Table 1 indicates the amounts of the tax credit claimed since FY 2000-01.

Table 1. Conservation Easement Tax Credit

Fiscal Year	Amount of the Tax Credit
FY 2000-01	\$2,325,000
FY 2001-02	\$8,576,000
FY 2002-03	\$7,505,000
FY 2003-04	\$31,671,000
FY 2004-05	\$57,341,000
FY 2005-06	\$85,056,000

Departments Contacted

Natural Resources

Revenue