

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0599
Prime Sponsor(s): Sen. Marble
 Rep. Saine

Date: February 6, 2013
Bill Status: Senate Finance
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TITLE: CONCERNING THE TERM OF A CONSERVATION EASEMENT FOR WHICH A STATE INCOME TAX CREDIT IS CLAIMED.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue General Fund		
State Expenditures General Fund		
FTE Position Change		
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

Under current law, a conservation easement must be perpetual. This bill allows future conservation easements to have a time limit of not less than 25 years, providing all other aspects of the easement comply with the program's requirements. A taxpayer's eligibility for a state tax credit must be allowed even if the taxpayer does not claim, or is otherwise ineligible to receive, a federal income tax credit for the easement. The appraised value of the easement must reflect the fact that it is not a perpetual easement.

State Revenue and Expenditures

State revenue increases slightly as a result of this bill, but no estimate can be made. Under federal law, a conservation easement in Colorado must remain perpetual in order to be considered a charitable contribution. As a result of this bill, some conservation easements will become disqualified as a charitable contribution under IRS rules, therefore increasing the federal taxable income of those taxpayers claiming the new easement. Therefore, since Colorado income taxes are based on federal taxable income, the amount of taxes ultimately collected by the state increases.

Simultaneously, this bill reduces General Fund revenue. Each dollar of conservation easement tax credits claimed equals one dollar less in revenue to the General Fund. Even if the federal Internal Revenue Service does not recognize the conservation easement, that taxpayer may still claim the full value of the easement against state taxes. To the extent that a time-limited easement encourages more property to be donated, the burden on the General Fund increases.

As federal and state tax returns are disallowed or disputed, expenditures may increase for investigation or litigation of tax deficiencies, impacting the Judicial Branch, the Department of Law, and the Department of Revenue. These increased costs are within the scope of existing duties for these state agencies and require no new appropriations.

Departments Contacted

Judicial
Property Taxation

Law
Regulatory Agencies

Natural Resources
Revenue