



**Dora**  
Department of Regulatory Agencies

**Division of Real Estate**

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**Understanding the Future of Conservation Easement Tax Credits**

- Since the passage of HB08-1353, the Division of Real Estate has taken great steps toward implementing the needed oversight of the conservation easement tax credit program. Even before this legislation was passed, the Division made great progress in exposing and stopping the abusive practices in the program.
- It would be inaccurate to assume that eliminating the tax credit program would save Colorado \$98 million a year.
- The numbers for 2006-2008 reflect hundreds of overvaluations and/or fraudulent deals done from 2003-2007.
- The Division revoked the licenses of 3 appraisers who were responsible for conducting hundreds of appraisals resulting in millions of dollars of suspect tax credits in 2003-2007. With these appraisers out of the industry, we should see a dramatic drop in the amount of tax credits.
- Conclusion: The high dollar totals seen in the last 3 years reflect the overvalued transactions from 2003-2007 working through the system.
- The amount of tax credits will begin to show a downward correction since the Division will review all conservation easement appraisals and identify inflated values before the credits are allowed.
- Because the Division now reviews all appraisals, we can project the total amount of credits created by conservation easement donations in 2008 will be \$45.2 million. That is over a 50% reduction from the previous year in tax credits being claimed.
- The \$98 million figure does not mean that a moratorium on the program will result in a \$98 million savings for the state. The Division projects that \$45.2 million could be claimed in credits for 2008.
- Eliminating or suspending the tax credit will actually become a hindrance to the state's attempt to recover the revenue from overvalued easements that occurred in 2003-2007.
- Currently the Dept. of Revenue, Division and Conservation Easement Oversight Commission are developing a review process to help challenge suspect tax credits.
- This plan will address easements done from 2003-2007 in a manner that is equitable, timely, and not financially burdensome to the state in its efforts to regain fraudulent tax credits.
- If the tax credit program is eliminated, land trusts will not apply for certification and there will not be funding for the oversight program. If there is no funding for the program, the Commission's and Division's efforts to recover state tax dollars cannot continue.

