

# HB 1361 – Madden/Isgar

## PROPOSAL TO STRENGTHEN ACCOUNTABILITY AND TRANSPARENCY FOR THE COLORADO CONSERVATION EASEMENT TAX CREDIT

Since 2000, our state conservation easement tax credit has helped preserve hundreds of thousands of acres of Colorado's economically and environmentally-important agricultural lands, wildlife habitat, water resources, and scenic vistas. However, recent reports suggest that there may be taxpayers claiming tax credits based on inflated valuations and questionable conservation values. Given the significance of this program to our land and water, it is critical to maximize accountability and ensure that any tax abuses are identified and stopped. Below are highlights of HB 1361, which will be supplemented later in 2007 by recommendations from a Task Force.

(1) **Additional reporting to make enforcement easier**: Taxpayers must submit additional information to the state when they claim the tax credit, including detailed information on the land under easement, the values preserved, and declarations from the appraiser and the holder of the easement (not-for-profit land trust or government entity).

(2) **Public disclosure of lands preserved with the tax credit**: Certain details about the use of the tax credit will be available to the public and summarized in an annual report, including: (a) county where the easement is located; (b) acres under easement; (c) holder of the easement; (d) value of the donation and the tax credit; and (e) what conservation values are being protected. This reporting will let the public see where their tax dollars are going and will help Colorado track success over time.



Ed and Anne Nielsen preserved their Flying X Ranch in Saguache County with partial funding from the Colorado conservation easement tax credit (Colorado Cattlemen's Agricultural Land Trust).

(3) **Increased standards for conservation easement appraisers**: In order to qualify for the tax credit, a conservation easement must be appraised by a Certified General Appraiser and must follow the Uniform Standards of Professional Appraisal Practice (USPAP). In addition, the bill will reflect new federal requirements for conservation easement appraisals by mandating qualified appraisals from qualified appraisers and defining substantial (150%) and gross (200%) valuation misstatements. Except in the case of a taxpayer settlement, any appraiser responsible for a substantial or gross valuation misstatement will be automatically referred to the Colorado Board of Real Estate Appraisers for review. Finally, the DOR can require a second appraisal if the Executive Director reasonably believes there was a gross misstatement.

(4) **Public reporting on organizations that hold conservation easements**: In order to qualify for the tax credit, an easement can only be held by an organization (land trust or government entity) that has completed an annual filing with the DOR and Department of Natural Resources. This filing will include: (a) the number and acreage of easements held; (b) a list of board members or responsible elected or appointed officials; and (c) a signed acknowledgement that the organization is committed to protecting the conservation purpose of its easements and has adequate staff and resources for annual monitoring.

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

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