

# Conservation Resource Center's Tax Credit Exchange

*Save open space and reduce taxes by participating in the Tax Credit Exchange*

## A Solution to the Timing Problem with New Tax Forms

January 17, 2008

### GREETINGS AND HAPPY NEW YEAR!

As you are aware, pursuant to HB 1361, there are various new forms that must now be filed by easement donors and by donee organizations, including a new **Form DR 1303** (<http://www.revenue.state.co.us/PDF/dr1303.pdf>).

Many people have noted a timing problem with the requirements related to Form DR 1303. Specifically, an easement donor must file with his/her state tax return a Form DR 1303, in which Part 3 has already been filled out by the donee organization. In Line 14 of Part 3, the donee organization must swear that it has reviewed the easement donor's "completed" Form DR 1305 for the transaction. However, there are portions of Form DR 1305 that cannot be completed by the donor until after the donor has finalized his/her federal 1040 tax return. This presented a problem, since most taxpayers complete their federal and state returns at the same time; something they could not do without already having the Form DR 1303 completed by the donee organization.

The Conservation Resource Center recently brought this timing issue to the attention of the Colorado Department of Revenue. After collaborating with the Department of Revenue, we are pleased to announce that the Department of Revenue has just issued a notice addressing this problem. Essentially, the Department of Revenue now allows the donee organization to deem that the Form 1305 is "complete" so long as certain information is included in the Form. This should allow the parties to obtain an executed Form DR 1303 from the donee organization early in the process, and no longer require the donee to complete his/her federal return prior to obtaining the signature of the donee organization on the Form DR 1303.

The notice, in a Question and Answer format, can be found on the Department of Revenue's website in the Tax Information Index:

<http://www.revenue.state.co.us/taxstatutesregs/incomeindex/GCEScheduledr1305QA.html>

We have also attached the notice to this update for your convenience.

Please note that CRC has detailed instructions for filing all the new forms required pursuant to HB 1361. If you or your landowners have questions about any of the new forms, please don't hesitate to contact us.

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*What constitutes a completed DR 1305 Gross Conservation Easement Schedule for purposes of Part 3 of the DR 1303 Gross Conservation Easement Donor Schedule?*

The DR 1303 requires the organization holding the easement to certify that the completed DR 1305 has been reviewed. However, some information required on a completed DR 1305 is not available until the taxpayer's income tax return has been prepared, which makes the timing of reviewing the DR 1305 problematic.

In order for the easement holder to consider the DR 1305 complete, the donor must have completed the following information:

Part 1

- lines 1 through 6

Part 2

- line 8, \$0
- line 10, to the extent the credit has been sold as of the date submitted for review
- line 11
- line 12, to the extent the credit has been sold as of the date submitted for review

Part 3

- lines 15 and 16

Part 4

N/A

The donor must complete the additional tax information on lines 7, 9, 13 and 14, along with adding information on lines 10 and 12 for credits transferred after the DR 1305 is submitted for review to the easement holder, prior to filing the DR 1305 with the Colorado income tax return.