

Conservation Resource Center's Tax Credit Exchange

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

Tax Credit Update Topic: HB 06-1354 Signed Into Law

May 6, 2006

The Colorado Legislature just passed a major amendment to its conservation tax credit program. The new law changes the formula under which credits are earned. Under the old law, the first \$100,000 of an easement donation earned credits at the rate of 100%, and amounts over \$100,000 earned credits at the rate of 40%. The total maximum amount a donation could earn was \$260,000.

Under the new law, all donated amounts are treated equally, and earn credits at the rate of 50%. The total maximum amount a donation can earn increases to \$375,000. Importantly, the old law remains in effect for all donations made any time in 2006, and the new law does not take effect until January 1, 2007.

Because of the delay in effect of the new law, easement donors have an opportunity to do some planning. For example, if a donor is contemplating donating a single small easement, it may make sense to complete it this year while the first \$100,000 still receives preferential treatment. If a donor is planning on doing a single large donation, it may make more sense to complete such a donation in 2007, when it can earn total credits of \$375,000, rather than the current \$260,000.

Important Changes in CRC's 2006 Program

In order to better serve our customers, this year CRC is implementing two significant changes in our program:

1. Highest Pricing Policy: In 2006, sellers will receive 82% of the face value of their credits (up from the previous 80%). Additionally, near the end of the year we will conduct a market survey to see if prices have gone even higher, in which case we will adjust our pricing accordingly. Through this mechanism we will do the work of finding the highest prices, rather than forcing the seller to shop for the highest prices.

2. Year Round Credit Transfers: In 2006 we are instituting a policy of year-round credit transfers. As soon as easement donors complete their donations and required support documentation, we will immediately move to sell their credits. This will help avoid the year-end rush, and will make the market more responsive to donors needs.

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