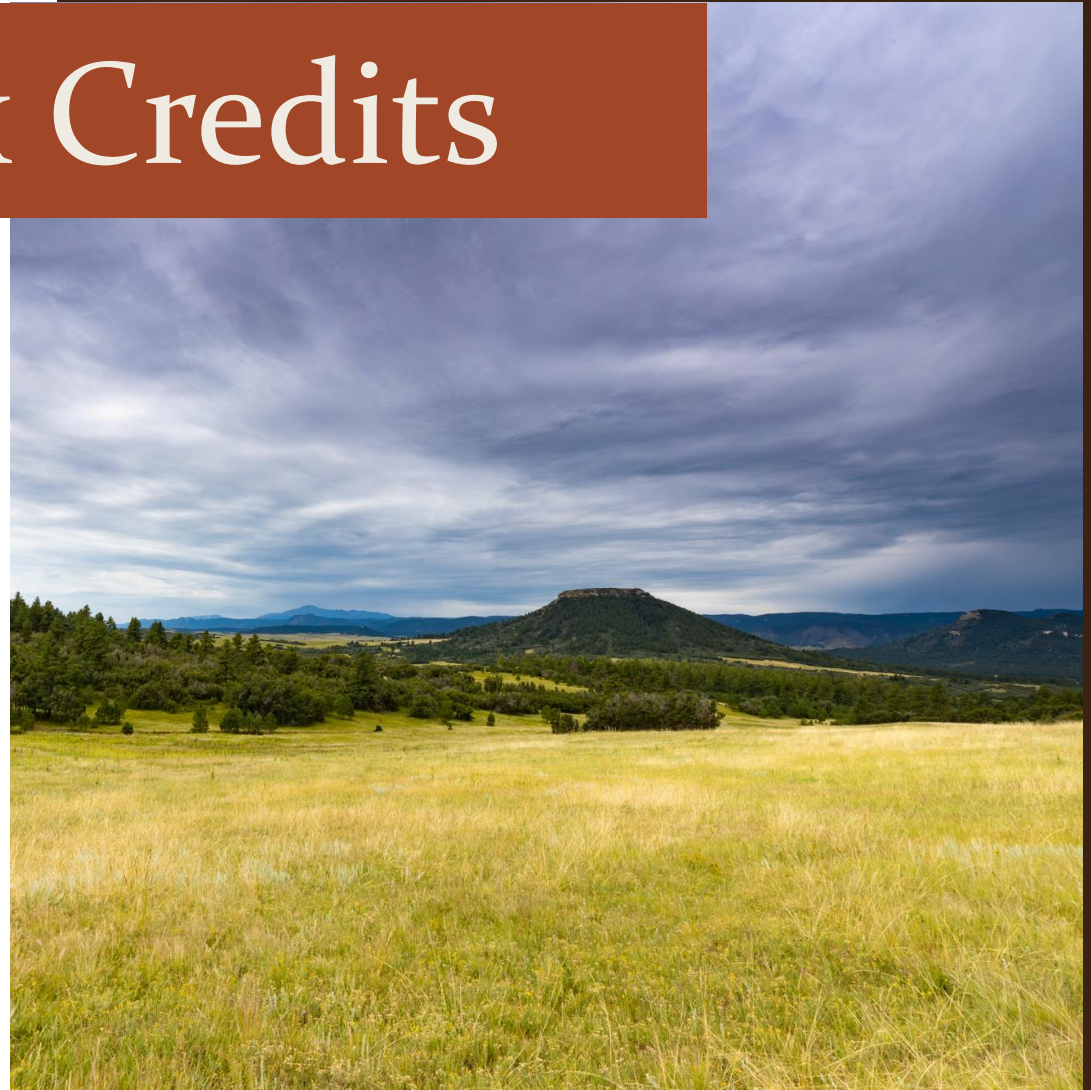
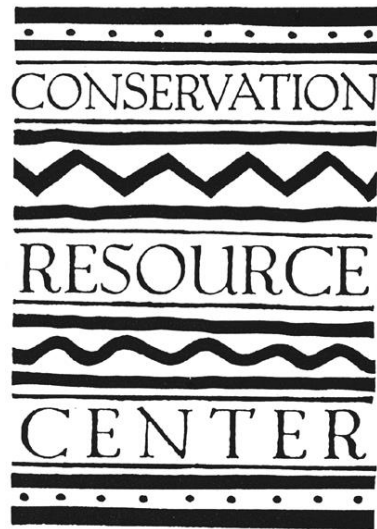


# Conservation Tax Credits

SAVING AMERICA'S WORKING  
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APRIL 2025




# Conservation Easement Tax Credits

- What is a Conservation Easement Tax Credit?
- Colorado's Conservation Easement Tax Credit
  - CE Donor Example
  - History of the Program
- Virginia Conservation Tax Credit
- Lessons Learned for Building and Maintaining Programs
- Looking Ahead





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- Credit is different than a deduction; deductions reduce tax liability by the amount of deduction times the tax rate
  - Credit is subtracted directly from one's tax liability; reduces tax liability dollar-for-dollar

## What is a Conservation Easement Tax Credit?

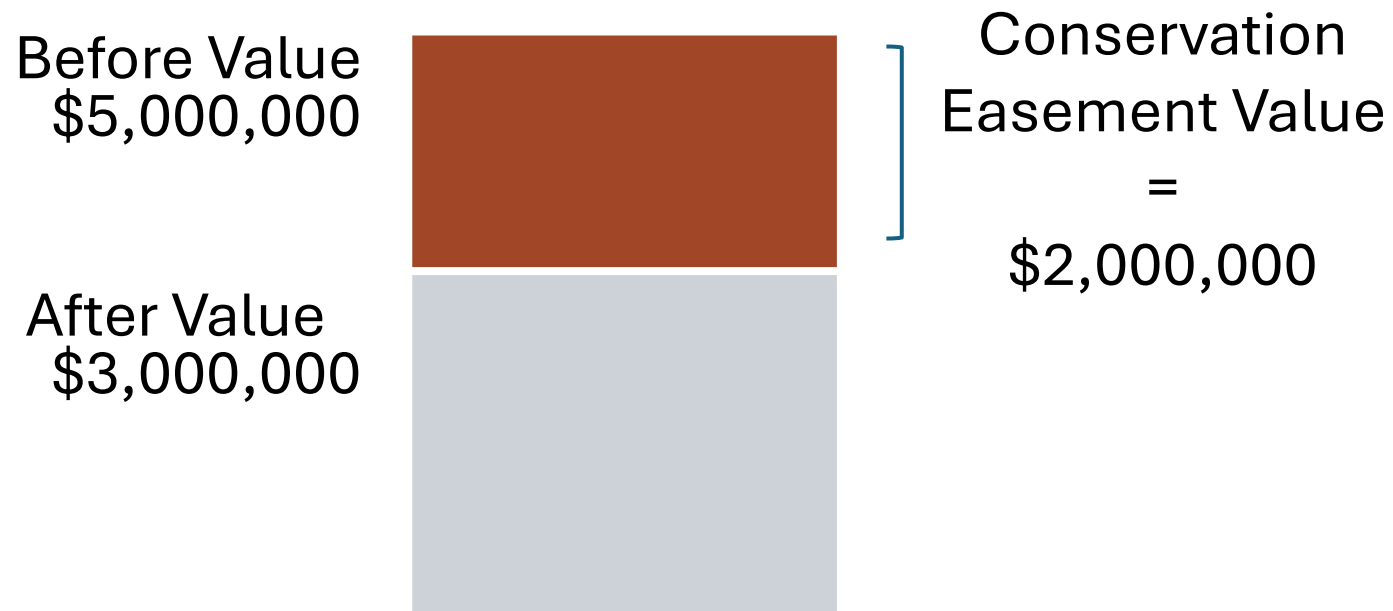




# Colorado Tax Credits – The Basics

- \$50M per year
- Maximum Amount is \$5,000,000/transaction
  - Amount of credit is calculated at 90% of easement value
- Maximum credit that can be issued per tax year is \$1,500,000
  - Donors may receive multiple years of tax credit certificates
- **Credits are transferrable**
- Credits are typically sold for between \$0.85 and \$0.90/credit

# Conservation Easement Tax Credit Example



- Conservation Easement Value:
  - \$2,000,000
- Total Tax Credit Available to Donor:
  - $\$2,000,000 * 90\% = \$1,800,000$
- Tax Credit Certificates Issued to Donor:
  - 2025 = \$1,500,000
  - 2026 = \$300,000
- Return to Donor for Sale/Transfer of Credits:
  - $\$1,800,000 * \$0.85 - \$0.90 =$   
**\$1,530,000 to \$1,620,000**
- Federal Deduction for remaining 10%
- Impact of future year's credits on pricing

# CO Tax Credit: The History

- Program started in the 1990s with a credit that was 50% of the amount of the conservation easement donation, but was not transferable
- In 2000, a republican legislator from an ag district felt that the credits could not typically be used by farmers and ranchers, so passed legislation to make the credits transferable to third parties
- Once the credits were transferable, the program grew dramatically, and within several years there were several hundred conservation easement donations occurring per year for which credits were claimed





# CO Tax Credit: The History

- Initially, credits were simply claimed by the donor on their tax returns and were not subject to any form or pre-screening. Because of this, a group of nonprofits (not land trusts) did many easement transactions that did not meet reasonable standards, and the resulting credits were subsequently clawed back by the CO Department of Revenue
- To deal with abuse, the program was modified to:
  - Require that conservation easement holders be pre-certified
  - Require that credits be submitted for review and approved before they can be used or sold
  - A state Division of Conservation was created to conduct the reviews



# Growth of the CO Tax Credit Program

**Table 1. Formulae and caps for Colorado's Conservation Easement Tax Credit Program.**

Tax Year	Formula for calculating tax credit for the donated (uncompensated) portion of conservation easement	Tax Credit Cap Per donation	Annual Program Cap
2000-02	100% of FMV	\$100,000	No cap
2003-06	100% of the first \$100,000 of FMV, plus 40% of any remaining FMV	\$260,000	No cap
2007-10	50% of FMV	\$375,000	No cap
2011-12	50% of FMV	\$375,000	\$22,000,000
2013	50% of FMV	\$375,000	\$34,000,000
2014	50% of FMV	\$375,000	\$45,000,000
2015-16	75% of the first \$100,000 of FMV, plus 50% of any remaining FMV	\$1,500,000	\$45,000,000
2017-20	75% of the first \$100,000 of FMV, plus 50% of the next \$4,900,000. The payments issued cannot exceed \$1,500,000 per year, so more valuable easements are paid out in \$1.5 m increments.	\$5,000,000	\$45,000,000
2021-present	90% of FMV up to a maximum of \$5,000,000 per donation	\$5,000,000	\$45,000,000

- **Annual Program Cap**
- **Tax credit Cap per Donation**
- **Formula for Calculating Tax Credit as % of Donation**



# CO Tax Credit: The Results

- 2.3 million acres conserved since 2000
  - 200,000 acres of priority sage grouse (Gunnison and Greater) habitat
  - 1 million acres of winter range for elk and mule deer
  - 449,220 acres of prime farmland
  - 50 miles of Gold Medal Streams
- CO has forgone more than \$641M in revenue since 2000 through the tax credit program
  - This has resulted in no less than \$35 billion in cumulative public benefit to the citizens of Colorado
  - ROI: For every \$1 of tax revenue the state of Colorado forgoes as part of the easement tax credit program, the state receives up to \$49 in return via public benefits (cite: Colorado State University, 2023)
- 33% of conservation easements were completed in disadvantaged census tracts; 51% of the acres under conservation easements are in disadvantaged census tracts.

# Virginia Land Preservation Tax Credit

- Started several years after Colorado
- No Transaction Cap
  - Largest single credit ever was \$34M
- Has a 5% transfer fee, used for administration of program
- Uses informal appraisal review which has evolved into operating like Colorado's
- Earns Credits at 40% (down from original 50%)
- Total state cap of \$75M per year...has protected over 1M acres







## Advocacy: Advancing Colorado's CE Tax Credit

*Photo credit: Joshua Ackerman*



# CCALT's Tax Credit Transfer Facilitation Program

- Maintain relationship with producer/easement donor
- Increase financial returns to easement donors
- New source of revenue for the land trust
- Building a new program:
  - Risks
  - Resources
  - Technical Expertise



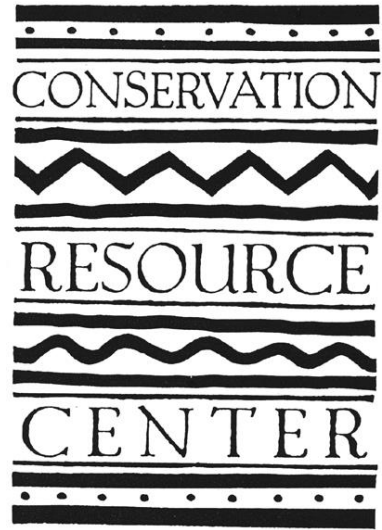


# Elements for Potential Agricultural Focused CE Tax Credits

- Tied to IRS definition of Full Time Farmer
- Could have preference for new agricultural owners
- Could have transfer fee that is used to promote program goals (rather than admin)
- Could have Loan Fund for advance on credit proceeds
- Loan fund could allow first time farmers to receive advance, which could be used for purchase of first land.



ccalt.org



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