



TURNING CONSERVATION EASEMENT TAX CREDITS INTO CASH: WHAT SHOULD I EXPECT?

Once you have preserved your land with a conservation easement, you might be wondering exactly how you will turn these conservation easement income tax credits you received into cash. Here is a quick overview of how the tax credits are calculated and what to expect when you work with a tax credit broker.

First, the value of the credits is based on a qualified appraisal of how much value you are giving up by permanently restricting the use of your land. For example, if your property was worth \$1,000,000 as a potential subdivision (what could be done today), but is only worth \$600,000 as farm ground and a house site (uses allowed after the conservation easement), the donation value would be the difference between the two or \$400,000. Based on the donation value, you will earn tax credits at the rate of 50% of your donation value, in this case \$200,000 (\$400,000 donation value x 50%). The maximum amount of credits you can earn in one year is \$375,000 (based on \$750,000 donation value) for a single conservation easement donation.

If you don't want to use all of your credits yourself, you have the option of selling all or some of your credits through a tax credit broker and receive cash for your credits. You will receive 80% of the face value of the credit; for a \$100,000 tax credit sale, you would receive a check for \$80,000.

You will want to register with a tax credit broker early so you will have a top priority for getting your tax credits sold. Credits can be sold as late as the following April 15 to be used against the prior year's taxes, but the donation has to be completed by December 31. Tax credit brokers typically review all of the documents regarding the donation of the conservation easement, such as the appraisal, deed of conservation easement, title work, mineral reports, IRS Form 8283, and any other documents that may be required based on your particular circumstances, so be prepared to send them copies. If the broker finds a problem, she should work with you to try to fix it. Once the broker is comfortable that the rules have been followed, she will match you up with a Colorado taxpayer who is interested in saving money on their taxes by buying your credits.

In addition to finding a buyer for your credits, the tax credit broker will prepare sales documents for you and the buyer to sign. One standard provision is that if the donation is ever challenged by the IRS or the state of Colorado, you will pay back any expenses the buyer incurs from the credits being reduced or disallowed; therefore, it is important to work with only the best team of professionals and to hire a broker who will carefully review your documents. For guidance you can use in hiring your professional team, go to www.taxcreditconnection.com.

After the documents are signed by you and your credit's buyer, the tax credit broker will send you a check for the sale of your tax credits. This is the part that makes all of the work worthwhile!

For more information, please contact:

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This information is not intended to be legal or financial advice. Please consult your own advisor.