



## 2014 Brings Changes to Tax Credit Transactions – Good News for All

Everyone will be able to breathe a little easier this year, **thanks to a bill designed to provide more certainty for those involved with a conservation easement tax credit.** With the passage of HB13-221, some obstacles have been removed and a new application process has been created with the Division of Real Estate (DRE). Most importantly, **effective for donations made on or after January 1, 2014, the appraisal is forever safe from State audit after the tax credit certificate has been issued!**

But don't worry that your to-do list will spill over with new administrative requirements. **Tax Credit Connection will take the lead in getting landowners their tax credit certificates quickly and painlessly, and we will still match reliable buyers with qualified sellers at the end of the day.** You can rest assured that, as the new legislation takes effect; the future of the Colorado conservation easement tax credit will be stronger than ever.

### What this Means for Landowners

**With assistance from Tax Credit Connection every step of the way,** landowners will submit their conservation easement and qualified appraisal along with the tax credit certificate application to the state. **Tax Credit Connection will prepare the application form and review all of your documents before sending them to the state** to ensure that the state will have as few questions as possible. After the state has reviewed your file, their staff will contact Tax Credit Connection with any questions and we will take care of those details. The whole process should take less than 120 days unless the state is extremely busy or your file is complicated. We know you are busy and doing paperwork is not how you like to spend your few free minutes, so rest assured that we'll keep your paperwork down to the bare minimum. The good news is that once you have your tax credit certificate in your hands, you can be certain that your conservation easement and appraisal will never be challenged by the State.

Along with the increased certainty you will get with the 2014 process, there is also an increase in the fee that the state is requiring you to pay to get your tax credit certificate. The application fee is now \$10,375 and has to be paid at the time the application is submitted to the state for review. We know it is expensive to make a conservation easement gift and that after paying all of your other fees, you may need some help with the application fee. **We are offering a limited number of Tax Credit Certificate Financial Agreements** on a first come, first served basis for landowners who would like Tax Credit Connection to front the money for the certificate application, to be repaid at the time the tax credits are sold.

Visit our website at [www.taxcreditconnection.com/CO-registration\\_18\\_3761591374.pdf](http://www.taxcreditconnection.com/CO-registration_18_3761591374.pdf) for the Tax Credit Certificate Financial Agreement Application form and send it in today.

Finally, our buyers will have more certainty when they buy credits created in 2014 or later. For that reason, **we've raised our rates by 1% so our landowners making 2014 donations are now getting 83% of the face value** of the tax credits that they sell, rather than the 82% that sellers received for credits created prior to 2014. Every little bit helps to make up for those increased costs.

### What this Means for Land Conservation Organizations

Working closely with your landowners' tax credit brokers will be more important than ever starting in 2014. The DRE is going to be looking at every bit of due diligence with a fine-toothed comb for every transaction. **We want**

**to be sure that we all put our best foot forward when sending in a landowner's tax credit certificate application.** It's much better for us to find and fix the legal description on the mineral report or the typos in the appraisal than for the DRE to question us about them.

We know that you're going to be busy working on the ground with landowners conserving land and stewarding existing conservation easements. Dealing with the state application process is not a good use of your time. That's why **Tax Credit Connection will take care of all of those details for your landowners so you won't have to.** We will be **paying your landowners 83%** rather than the previous 82% rate and we'll have a limited number of Tax Credit Certificate Financial Agreements available to help them with the upfront costs of the new \$10,375 fee.

### *What this Means for Buyers and their Accountants*

No need to lose sleep over a state challenge to an appraised value for tax credits created in 2014 or later. The new state process will give buyers and their accountants comfort that the **Department of Revenue will not be able to challenge the appraised value or the validity of the conservation easement for their tax credits.** As you may have read above, this increased comfort is coming at a cost to the sellers of the tax credits. To compensate for the decreased risk for the buyer and increased cost to the seller, buyers' prices for tax credits are going up 1% for 2014 or later tax credits. **Hopefully you'll feel that 1% is a small price to pay for the comfort of knowing that the most essential document in the transaction (the appraisal) can never be disputed.**

Having said that, there are still some risks buyers and their advisors need to be aware of. The Department of Revenue still has jurisdiction over tax forms, which seem to be the trigger of the majority of recent audits. **It is just as important as ever to keep a sharp eye on all the due diligence involved in a donation and tax credit transaction,** be it gift letters sent on time, properly recorded subordinations, or correctly filed tax forms. Tax Credit Connection will continue, as we always have, to ensure that every step of the transaction was done correctly.

Other good news: **Starting in 2014 all new credits can be carried forward!** Accountants, you can put away your crystal balls. No longer will you need to predict your client's tax liability almost a year out and **buyers will no longer need to worry about wasting their money by having to waive credits if they couldn't use them all.** This will make it easier than ever to buy credits early in the year when they are being sold at the lower rates.

### *Like always, we are here for you!*

From reviewing due diligence before turning in the tax credit certificate application to ensuring buyers and sellers file the right tax forms with the Department of Revenue, **Tax Credit Connection is here for you.** Things may be changing legislatively, but you can still sleep soundly knowing that we've got the night watch and are taking care of all the details.

**For more information, please contact:**

**Tax Credit Connection, Inc.**

Ariel Steele • Owner • 303 774 8127 • [ariel@taxcreditconnection.com](mailto:ariel@taxcreditconnection.com)

Cody MacDonald • Land Protection Specialist • 303 774 8195 • [cody@taxcreditconnection.com](mailto:cody@taxcreditconnection.com)

2919 W. 17th Ave., Ste. 201 • Longmont, CO 80503 • [www.taxcreditconnection.com](http://www.taxcreditconnection.com)

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