



Colorado's Transferable Tax Credits: Save Money and Support Your Community!

If you are like most people, paying your taxes is not your idea of a good time. When April rolls around, we all look for ways to reduce our tax burden without inviting undue scrutiny from Uncle Sam. Thankfully Colorado taxpayers have several options to purchase discounted tax credits while at the same time supporting important work in land conservation, environmental cleanup, and preservation of historic buildings.

How does it work?

You can potentially save thousands of dollars on your state income taxes by participating in Colorado's unique transferable tax credit programs. Tax credits are available for purchase at a discounted rate by Colorado tax payers and work like a gift certificate to the Colorado Department of Revenue. Sellers generate tax credits in one of three ways:

- Donating a Conservation Easement on a piece of property they own
- Cleaning up a contaminated "Brownfield" site
- Restoring a historically significant building

Sellers can use the credits themselves or they can sell them on the open market to other taxpayers. Buyers can purchase credits at a discounted rate through *Tax Credit Connection* and use them to pay their own tax liability potentially saving themselves thousands of dollars. By purchasing tax credits, you can save anywhere from 6-11% on your tax bill depending on the time of year you purchase them.

Conservation Easement (CE) Tax Credits

Next time you are admiring the mountain views across a grassy meadow, you may be observing a conservation easement property. By purchasing conservation easement tax credits, you can help ensure that there are more protected lands for generations of Coloradoans to enjoy.

Conservation Easements are a way for landowners to monetize their development rights, while maintaining ownership of their property. By conserving private lands, landowners are protecting the scenic views and open space, critical wildlife habitat, clean air, and clean water as a gift to the State of Colorado. In return, the State provides these tax credits as an incentive to encourage more landowners to donate easements.

The CE tax credits became stronger than ever in 2014 when the state adopted a new process for reviewing the applications before issuing the certificates. Once purchased, CE credits can be carried forward for a period of 20 years but can only be transferred once. The program has a \$45,000,000 annual cap.

Brownfields/Environmental Remediation (ER) Credits

Brownfields are contaminated properties which can be difficult to use, sell or redevelop. This includes abandoned factories and other industrial facilities, service stations, oil and gas storage facilities, dry cleaning businesses, and any other business or facility that dealt with hazardous substances, pollutants, or contaminants. The U.S. Government Accounting Office estimates that there are between 400,000 and 600,000 brownfields sites throughout the U.S. with Colorado certainly having its share of them.

Brownfields tax credits were created as an incentive to encourage the cleanup and redevelopment of these contaminated properties. Individuals, organizations, local governments and non-profits who own these properties can qualify for the credits to recoup a portion of their expenses for the cleanup.

Brownfields credits can be carried forward for a period of five years. Like CE credits, they can only be transferred once. Credits are issued only after a determination by the state that no further action is needed at the clean-up site and are based on rigorous and transparent accounting of cleanup expenses. Staff at the Colorado Department of Public Health & Environment (CDPHE) review all invoices and cancelled checks for completed work before issuing the tax credits.

There is a \$3,000,000 annual statewide cap on credits issued. Unfortunately demand for these credits far outpaces their availability for developers. This could change as momentum builds to reauthorize and expand the program in the near future.

Historic Preservation (HP) Credits

The rich history of our state is reflected in its historic buildings. These places tell the stories of the people who helped shape Colorado into what we know and love, their triumphs and failures, aspirations and struggles. Studies have shown that preservation of these historic structures adds to the economic and social health of communities. Thankfully this credit program was extended in 2018 for another 10 years meaning more of our historic treasures will be saved going forward.

The Historic Preservation Tax Credit program promotes rehabilitating historic buildings in Colorado for commercial use. To qualify, the building must be a Certified Historic Structure that is at least 50 years old. Certified Historic Structures may be listed individually on or as a contributing property in a district included within the National or State Registrars or listed by a Certified Local Government. Transferability allows non-taxpaying entities to benefit from the program by selling credits through ***Tax Credit Connection, Inc.***

HP credits are issued based on an accountant's audit of qualifying rehabilitation expenses, including invoices and cancelled checks detailing the work performed. HP credits can be carried forward ten years. If the owner chooses to sell the credit, both the owner and the purchaser of the credit must coordinate their transaction through the Colorado Office of Economic Development & International Trade (OEDIT). ***Tax Credit Connection, Inc.*** takes care of this step when we sell the credits. After ten years, any unused and unsold credit will expire and cannot be refunded.

Connecting Buyers & Sellers

When you choose to purchase tax credits through us from our sellers, you can rest assured that everything will be taken care of. We will prepare the transfer documents between you and the seller, handle any necessary coordination with the State, and prepare all tax forms you will need to file with your state income tax return. Part of the service we provide is to follow up with the sellers to verify that they filed their taxes correctly and reported the credit sale to the state validating each buyer's credits. To date, we have sold over \$100,000,000 of Colorado tax credits and saved our buyers close to \$10,000,000 on their taxes! How can we help you?

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.