

Conservation Easements 101



CONSERVATION EASEMENT PROCESS

STEP 1

Project Development
3-6 months



STEP 2

Deed Negotiation
Due Diligence
Fundraising
12-24 months



STEP 3

Final Review
Easement
Closing



STEP 4

Tax Credit Process
and Ongoing
Stewardship



CCALT QUALIFYING CRITERIA

- Property must be in Colorado
- Family Support
- Colorado Cattlemen's Association member, or be willing to become a Colorado Cattlemen's Association member



CONSERVATION EASEMENT EXPENSES

Range of expenses: \$86,500 - \$172,500

- **Due Diligence**
 - Appraisal
 - Baseline Report
 - Mineral Report
 - Water Report
 - Environmental Report
- **Title Insurance**
- **Closing and Recording Fees**
- **Land Trust Fees**
 - Stewardship Endowment
 - Legal Defense Fund
 - Project Coordination Fee
 - Legal Fees
- **State tax credit application fee**
- **PLUS: Landowner attorney and accountant fees (not included in estimated range)**



CONSERVATION EASEMENT BENEFITS FOR LANDOWNERS

- **Tax incentives**
 - Colorado state income tax credits
 - Federal tax deductions
 - Additional estate tax exemptions
 - Property tax benefits
- **Family legacy:** Pass it down
- **Peace of Mind:** This piece of land will never be developed
- **Cash in hand** from sale of Colorado tax credits and in some instances third-party funders



CONSERVATION EASEMENT BENEFITS FOR COLORADO

ROI of up to **\$49**

for every tax dollar spent on working lands conservation

- Open spaces
- Cleaner air and water
- Food security
- Wildlife habitat and corridors
- Scenic viewsheds
- Stronger rural communities



EASEMENT TYPES, TIMELINES, AND POTENTIAL FINANCIAL OUTCOMES



DONATED CONSERVATION EASEMENT

- Revenue through the sale of Colorado state income tax credits
- Easement terms negotiated between landowner and land trust

Timeline
1-2 years

EXAMPLE FINANCIAL SCENARIO

Before value	\$3,000,000
After value	\$2,000,000
Easement value	\$1,000,000
Donated Value	\$1,000,000
Tax credits	\$900,000
Transaction costs	\$86,500 - \$126,500

Potential revenue from sale of tax credits* \$765,000

Gross landowner revenue after costs \$638,500 to \$678,500

**Income from tax credit sales and purchase price is taxable*



BARGAIN SALE EASEMENT

- Revenue from a combination of government and/or nonprofit sources, and the sale of tax credits
- Funder examples include GOCO, NRCS, CPW, county programs, and The Nature Conservancy
- Negotiations include third-party funders

Timeline
3-5 years

EXAMPLE FINANCIAL SCENARIO

Before value	\$3,000,000
After value	\$2,000,000
Easement value	\$1,000,000
Purchase Price	\$500,000
Donated Value	\$500,000
Tax credits	\$450,000
Transaction costs	\$103,000 - \$172,500

Potential revenue from sale of tax credits and purchase price* \$882,500

Gross landowner revenue after costs \$710,000 to \$779,500



STATE TAX BENEFITS

90% **\$5 Million**

The donated conservation easement value eligible to landowners through the transferable Colorado state tax credit

Maximum individual Colorado tax credit distributed in increments of \$1.5 million per year

FEDERAL TAX BENEFITS

50% **\$500K**

Federal deduction of Adjusted Gross Income (AGI) with a 15-year carryforward.*

Maximum additional estate tax exemption

**This deduction could be 100% of AGI for individuals making more than 50% of their annual income from farm/ranch activities.*

CCALT strongly encourages landowners to seek the advice of their attorney and accountant prior to pursuing a conservation easement. The examples included here are for illustrative purposes only.

FOR MORE INFORMATION GO TO CCALT.ORG

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