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Mr. Strugar is an attorney specializing in real estate law and land conservation techniques. He has a law degree, as well as a Master's degree in Natural Resource Management, both from the University of Michigan. Mr. Strugar practiced real estate law for ten years as an associate, and law partner, at Holme Roberts & Owen. In 1993 he established the Conservation Resource Center, a nonprofit organization dedicated to helping communities and governmental entities deal with matters involving land conservation. Working in Colorado, he established the nation's first functioning exchange for transferring Conservation Tax Credits, and has facilitated the transfer of nearly 300 credits. In 2002, he established a similar program for transferring Conservation Tax Credits in Virginia. He is an adjunct Professor of Law at the University of Denver Law School, teaching courses in Land Conservation Law.

Conservation Easements in General

- Best thought of as a permanent deed restriction.
- Land owner still owns the land (no public access).
- Typically restricts some forms of future development.
- Usually donated to land trust or open space program.
- Tailored to fit needs.
- Can result in various tax benefits:
 1. Deduction
 2. Estate Tax
 3. Property Tax
 4. In some states, credits

The Colorado Conservation Tax Credit

- Earn credits by donating a qualified conservation easement
- 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

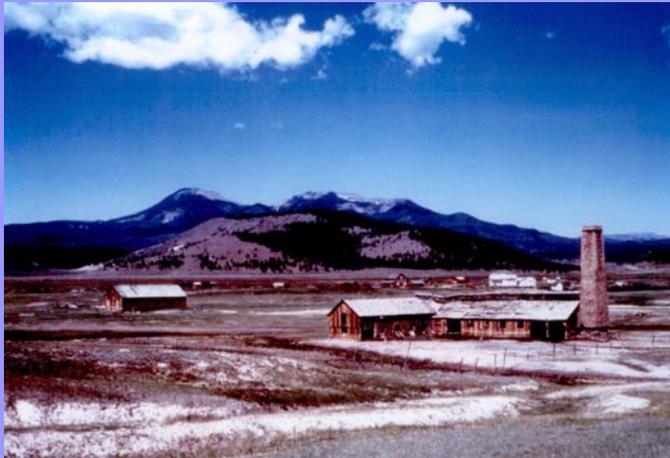
Example: A \$1000 *credit* in a 15% tax bracket reduces tax liability by \$1000. A \$1000 *deduction* in a 15% tax bracket reduces tax liability by \$150.



*Park Creek Ranch
Larimer County Colorado*

Amount of the Credit

- Maximum Amount is \$260,000 (100% for the first \$100,000 and 40% for excess).
- Maximum Credit = \$260,000
- For example - a \$500,000 donation is required to get a maximum \$260,000 credit.
- Can be a bargain sale



*Saltworks Ranch
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Using the Credit

~ Options ~



*Seven Lakes Ranch
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- Use it for state income taxes, with ability to carry it forward for up to 20 years
- In surplus years, get a refund from the state of up to \$50,000 (less the amount used for one's own state income taxes). We will know in November if a refund is available.
- **Transfer (sell)** the credit to another taxpayer – egalitarian approach

General Limitations

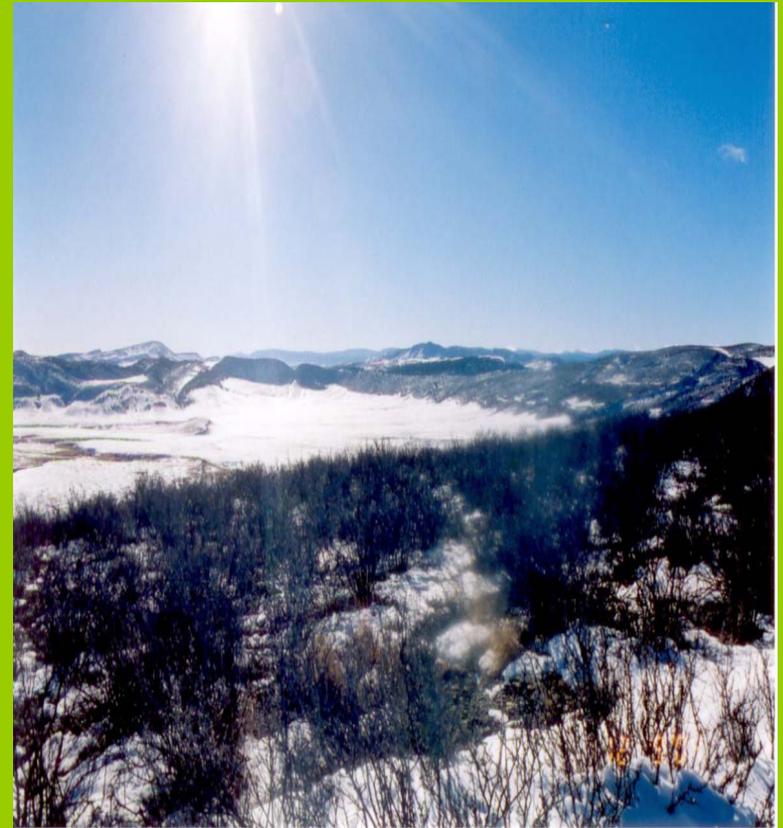
- Easement only, not fee
- Donor must be a state resident
 - People avoid this by having land in an entity name, even if partners/members are out of state
- Credits last for 20 years
- Can't re-transfer a credit
- If a refund is claimed, cannot also sell remaining credits in the same year
- Can't do next deal until all current credits are used up
- Need a qualified appraisal - Conservation Resource Center's Appraisal Guidelines are available on our website: www.taxcreditexchange.com

Limitations with Big Implications

- A. Only one transaction per year
- Can try to avoid it by doing a multi-year deal
 - People try to avoid it by splitting land into different ownerships, but husband and wife, and common owners are treated as one, and taxpayers can only receive credits from one pass thru entity.
 - The *Colorado Coalition of Land Trusts* has an advisory committee on the issue.
- B. The donation must comply with Colorado's Easement Statute, as well as with IRS requirements for deductibility for conservation easements.

Transferring the Credits

- Register credits for sale with a facilitator
- Sellers typically receive 80%
- Purchasers typically pay 85%
- Transfers must close by April 15th of the year following the donation year
 - **New deadline:**
Gov. Owens just signed the legislation 6/7/05



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Miscellaneous Issues

1. How are sellers taxed?
2. How are buyers taxed?
3. How much has this increased donations?
4. Is land trust or open space program okay?
5. What is a land trust's obligation to help?
6. Can nonprofits participate?
7. Can trusts and estates participate?
8. Appraisal timing.
9. Quid pro quo.
10. What if credit holder dies?
11. What about water values?
12. What if buyer does not use up credits?

