



GELT & GRASSGREEN P.C.

Theodore Z. Gelt
Randi M. Grassgreen
Nancy C. Weiss
Kristen L. Sweat

Attorneys and Counselors at Law
303 E. 17th Avenue, Suite 910, Denver CO 80203
303.830.1200 *telephone* 303.830.9400 *fax*
866.670.9316 *toll-free*
gg@gelttaxlaw.com

Of Counsel:
Jeffrey M. Nobel
Mark A. Vogel

Louis E. Gelt (1908-1997)

July 10, 2006

RE: Gross Conservation Easement Income Tax Credit

The income tax credit amount for donations of gross conservation easements (“Easements”) on real property located in Colorado was recently amended. The new legislation provides that Easements donated on or after January 1, 2007, are entitled to an income tax credit equal to 50% of the fair market value of the donated portion of the Easement. The credit cannot exceed \$375,000 per donation, so a taxpayer that donates an Easement with a fair market value that is greater than \$750,000 will receive the maximum \$375,000 credit.

The current income tax credit for Easements is 100% of the first \$100,000 plus 40% of the excess of \$100,000 up to \$500,000. The total tax credit cannot exceed \$260,000, so a taxpayer that donates an Easement with a fair market value that is greater than \$500,000 will receive the maximum \$260,000 credit.

Under the current income tax credit provisions and the provisions that will take effect January 1, 2007, the credit is limited to the taxpayer’s tax liability unless Colorado has a budget surplus which exceeds certain thresholds. If the budget surplus exceeds certain thresholds, the taxpayer is entitled to a limited refund. However, with the passage of Referendum C, Colorado will not have a budget surplus for fiscal years ending June 30, 2006 through June 30, 2010.

Please note that the current income tax credit amount for Easements will continue to apply to all donations of Easements made prior to January 1, 2007. For Easements valued up to \$200,000, the current income tax credit amount is more beneficial, so you may wish to plan your Easement donations accordingly.

We hope that you found this information useful. Please contact us if you have any questions.

Very truly yours,

GELT & GRASSGREEN P.C.

Kristen L. Sweat

If you would prefer to have our newsletter sent via email in the future, please send an email to gg@gelttaxlaw.com with the subject line “newsletter.”

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.