



OFFICE OF THE STATE AUDITOR



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MORE CAN BE DONE TO ENSURE CONSERVATION EASEMENTS BENEFIT COLORADO

DENVER—The Colorado Office of the State Auditor (OSA) has released its audit of the Conservation Tax Easement Program (Program) at the Division of Real Estate (Division) and has found that the Division's reviews of landowners' tax credit applications generally take longer than anticipated in statute, which can increase costs for landowners, and the Division could do more to communicate appraisal standards to appraisers involved in conservation easement donations.

Since 2000, when the Program began, the State has issued almost \$1 billion in tax credits for over 4,200 conservation easement donations on more than 1 million acres. Colorado landowners are eligible for a state income tax credit when they donate a conservation easement on their land to a qualified organization, such as a land trust or local government.

After a 2012 audit by the OSA, Senate Bill 13-221 shifted much of the Program administration from the Department of Revenue to the Division. The Division reviews tax credit applications to ensure the accompanying appraisals are credible and the land donation has a qualifying conservation purpose. However, the Division has experienced funding problems since the shift in administration. In 2014 the Division encouraged prepayment of some application fees in exchange for discounts on future reviews, but spent the money before receiving the applications. Auditors also found that flaws in

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the Division's fee setting have led to an inability to fund Program operations, including staff positions, contributing to a backlog of applications still needing review.

The OSA also found that currently, no state agency reports on the types of lands, wildlife, or habitats being conserved by the Program. According to auditors, "the lack of transparent reporting makes it difficult for the public and policymakers to determine the benefits that the State is receiving from this Program in return for the millions in forgone tax revenue each year".

Separately, the audit found the Conservation Easement Oversight Commission lacks explicit authority to set Program policies to help ensure it addresses the State's conservation needs effectively; the Commission may need this authority from the General Assembly.

The audit makes 5 recommendations.

The full report is available @ www.colorado.gov/auditor.

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.