

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 24-0697.01 Jed Franklin x5484

HOUSE BILL 24-1249

HOUSE SPONSORSHIP

Winter T. and Martinez,

SENATE SPONSORSHIP

Pelton R. and Roberts,

House Committees

Agriculture, Water & Natural Resources

Senate Committees

A BILL FOR AN ACT

101 CONCERNING A STATE INCOME TAX CREDIT FOR ACTIVE
102 AGRICULTURAL STEWARDSHIP PRACTICES.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill establishes a state income tax credit for active qualified stewardship practices on a farm or ranch beginning January 1, 2026. There are 3 tiers of tax credits that may be earned by a qualified taxpayer. For actively practicing one qualified stewardship practice, a qualified taxpayer may earn a state income tax credit equal to \$75 per acre of land covered by the qualified stewardship practice, up to a maximum credit of

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

\$150,000 in one income tax year. For actively practicing 2 qualified stewardship practices, a qualified taxpayer may earn a state income tax credit equal to \$100 per acre of land covered by the qualified stewardship practices, up to a maximum credit of \$200,000 in one income tax year. For actively practicing 3 or more qualified stewardship practices, a qualified taxpayer may earn a state income tax credit up to \$150 per acre of land covered by the qualified stewardship practices, up to a maximum of \$300,000 per income tax year. The tax credit is refundable and may not be carried forward.

To claim the credit, a qualified taxpayer must apply to the department of agriculture for a tax credit certificate. The department of agriculture will evaluate the application and issue the certificate if the taxpayer qualifies for the tax credit. If a tax credit certificate is issued, the qualified taxpayer must attach it to the taxpayer's income tax return and submit it to the department of revenue.

The aggregate amount of tax credits issued in one calendar year cannot exceed \$10 million. After certificates have been issued for credits that exceed an aggregate of \$10 million for all qualified taxpayers during a calendar year, any claims that exceed the amount allowed are placed on a wait list in the order submitted and a certificate is issued for use of the credit in the next income tax year. No more than \$5 million in claims shall be placed on the wait list in any given calendar year.

Only one tax credit certificate may be issued per qualified taxpayer in a calendar year, and the qualified taxpayer claiming the credit may only receive the tax credit for up to 3 income tax years. No credit may be earned if the qualified taxpayer has received another tax credit, a tax deduction, or a grant related to agricultural land health from any source during the income tax year for which the tax credit is sought.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-560 as
3 follows:

4 **39-22-560. Agricultural stewardship tax credit - tax preference**
5 **performance statement - legislative declaration - definitions - repeal.**

6 (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES
7 EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX
8 PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
9 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY DECLARES THAT THE

1 PURPOSE OF THE TAX CREDIT CREATED IN THIS SECTION IS TO INDUCE
2 CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS, SPECIFICALLY TO
3 ENCOURAGE AN INDIVIDUAL TO ACTIVELY PRACTICE ONE OR MORE
4 QUALIFIED STEWARDSHIP PRACTICES ON A FARM OR RANCH, INCLUDING
5 ANY PRACTICE THAT INCREASES SOIL HEALTH, IMPROVES WATER
6 EFFICIENCY, OR CREATES MORE DIVERSE AND BENEFICIAL ECOSYSTEMS
7 WHILE MAINTAINING THE PRODUCTIVITY OF THE FARM OR RANCH.

8 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
9 MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE
10 SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE
11 INFORMATION REQUIRED TO BE MAINTAINED BY AND REPORTED TO THE
12 STATE AUDITOR BY THE DEPARTMENT OF AGRICULTURE PURSUANT TO
13 SUBSECTION (4)(b) OF THIS SECTION.

14 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
15 REQUIRES:

16 (a) "CREDIT CERTIFICATE" MEANS A CERTIFICATE ISSUED BY THE
17 DEPARTMENT OF AGRICULTURE CERTIFYING THAT A QUALIFIED TAXPAYER
18 QUALIFIES FOR AN INCOME TAX CREDIT AUTHORIZED IN THIS SECTION AND
19 SPECIFYING THE AMOUNT OF THE CREDIT ALLOWED AND THE INCOME TAX
20 YEAR FOR WHICH THE CREDIT MAY BE CLAIMED.

21 (b) "QUALIFIED STEWARDSHIP PRACTICE" MEANS ROTATIONAL
22 GRAZING, ROTATIONAL CROPS, REDUCED TILL SOIL, NO TILL SOIL, COVER
23 CROPPING, INTERSEEDING, COMPOST APPLICATION, OR ANY OTHER
24 PRACTICE THAT INCREASES SOIL HEALTH, IMPROVES WATER EFFICIENCY,
25 OR CREATES MORE DIVERSE AND BENEFICIAL ECOSYSTEMS WHILE
26 MAINTAINING THE PRODUCTIVITY OF THE FARM OR RANCH AS SPECIFIED BY
27 A RULE ISSUED BY THE DEPARTMENT OF AGRICULTURE.

1 (c) "QUALIFIED TAXPAYER" MEANS A PERSON SUBJECT TO TAX
2 PURSUANT TO THIS ARTICLE 22 WHO ACTIVELY PRACTICES A QUALIFIED
3 STEWARDSHIP PRACTICE ON A FARM OR RANCH LOCATED IN THE STATE
4 DURING AN INCOME TAX YEAR, WHETHER THE QUALIFIED STEWARDSHIP
5 PRACTICE IS NEWLY PRACTICED DURING THE INCOME TAX YEAR OR IS
6 BEING CONTINUED FROM A PRIOR INCOME TAX YEAR.

7 (3) (a) SUBJECT TO THE LIMITATIONS SET FORTH IN SUBSECTION
8 (3)(b) OF THIS SECTION, FOR INCOME TAX YEARS COMMENCING ON OR
9 AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2031, A QUALIFIED
10 TAXPAYER IS ALLOWED A CREDIT AGAINST THE INCOME TAXES IMPOSED BY
11 THIS ARTICLE 22 IN AN AMOUNT EQUAL TO:

12 (I) FOR A QUALIFIED TAXPAYER ACTIVELY PRACTICING ONE
13 QUALIFIED STEWARDSHIP PRACTICE DURING AN INCOME TAX YEAR,
14 SEVENTY-FIVE DOLLARS PER ACRE OF LAND SUBJECT TO A QUALIFIED
15 STEWARDSHIP PRACTICE, LIMITED TO A MAXIMUM CREDIT AMOUNT OF ONE
16 HUNDRED FIFTY THOUSAND DOLLARS PER INCOME TAX YEAR;

17 (II) FOR A QUALIFIED TAXPAYER ACTIVELY PRACTICING TWO
18 QUALIFIED STEWARDSHIP PRACTICES DURING AN INCOME TAX YEAR, ONE
19 HUNDRED DOLLARS PER ACRE OF LAND SUBJECT TO A QUALIFIED
20 STEWARDSHIP PRACTICE, LIMITED TO A MAXIMUM CREDIT AMOUNT OF TWO
21 HUNDRED THOUSAND DOLLARS PER INCOME TAX YEAR; AND

22 (III) FOR A QUALIFIED TAXPAYER ACTIVELY PRACTICING THREE OR
23 MORE QUALIFIED STEWARDSHIP PRACTICES DURING AN INCOME TAX YEAR,
24 ONE HUNDRED FIFTY DOLLARS PER ACRE OF LAND SUBJECT TO A QUALIFIED
25 STEWARDSHIP PRACTICE, LIMITED TO A MAXIMUM CREDIT AMOUNT OF
26 THREE HUNDRED THOUSAND DOLLARS PER INCOME TAX YEAR.

27 (b) A QUALIFIED TAXPAYER MAY ONLY CLAIM THE CREDIT

1 AUTHORIZED BY THIS SECTION:

2 (I) FOR THREE INCOME TAX YEARS; AND

3 (II) IF THE QUALIFIED TAXPAYER HAS NOT RECEIVED A TAX
4 CREDIT, TAX DEDUCTION, OR GRANT RELATED TO THE AGRICULTURAL
5 LAND AND THE QUALIFYING STEWARDSHIP PRACTICE DURING AN INCOME
6 TAX YEAR FOR WHICH A TAX CREDIT IS CLAIMED PURSUANT TO THIS
7 SECTION FROM ANY OTHER SOURCE.

8 (4) (a) A QUALIFIED TAXPAYER SHALL SUBMIT AN APPLICATION TO
9 THE DEPARTMENT OF AGRICULTURE FOR A TAX CREDIT CERTIFICATE TO
10 CLAIM THE CREDIT ALLOWED BY THIS SECTION ON A FORM AND IN A
11 MANNER PRESCRIBED BY THE DEPARTMENT OF AGRICULTURE. THE
12 APPLICATION MUST INCLUDE A MEANS FOR THE TAXPAYER TO NOTE
13 WHETHER THE TAXPAYER FILES INCOME TAXES ON A CALENDAR YEAR OR
14 FISCAL YEAR BASIS AND INFORMATION TO ALLOW THE DEPARTMENT OF
15 AGRICULTURE TO MAKE A DETERMINATION THAT THE STEWARDSHIP
16 PRACTICE IS A QUALIFIED STEWARDSHIP PRACTICE, THAT THE QUALIFIED
17 TAXPAYER IS ACTIVELY PRACTICING THE QUALIFIED STEWARDSHIP
18 PRACTICE, AND TO VERIFY THE AMOUNT FOR WHICH THE TAX CREDIT
19 CERTIFICATE IS APPLIED. A QUALIFIED TAXPAYER MAY RECEIVE ONLY ONE
20 TAX CREDIT CERTIFICATE PER INCOME TAX YEAR.

21 (b) (I) THE DEPARTMENT OF AGRICULTURE SHALL MAINTAIN A
22 DATABASE OF ANY INFORMATION DETERMINED NECESSARY BY THE
23 DEPARTMENT OF AGRICULTURE TO EVALUATE THE EFFECTIVENESS OF THE
24 INCOME TAX CREDIT ALLOWED IN THIS SECTION IN MEETING THE PURPOSE
25 SET FORTH IN SUBSECTION (1) OF THIS SECTION AND SHALL PROVIDE SUCH
26 INFORMATION, AND ANY OTHER INFORMATION THAT MAY BE NEEDED, IF
27 AVAILABLE, TO THE STATE AUDITOR AS PART OF THE STATE AUDITOR'S

1 EVALUATION OF THIS TAX EXPENDITURE REQUIRED BY SECTION 39-21-305.

2 (II) THE DEPARTMENT OF AGRICULTURE SHALL, IN A SUFFICIENTLY
3 TIMELY MANNER TO ALLOW THE DEPARTMENT OF REVENUE TO PROCESS
4 RETURNS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS SECTION,
5 PROVIDE THE DEPARTMENT OF REVENUE WITH AN ELECTRONIC REPORT FOR
6 THE PRECEDING TAX YEAR THAT LISTS EACH QUALIFIED TAXPAYER TO
7 WHICH THE DEPARTMENT OF AGRICULTURE ISSUED A TAX CREDIT
8 CERTIFICATE AND INCLUDES THE FOLLOWING INFORMATION:

9 (A) THE QUALIFIED TAXPAYER'S NAME;

10 (B) THE AMOUNT OF THE INCOME TAX CREDIT THAT THE
11 CERTIFICATE INDICATES THE QUALIFIED TAXPAYER IS ELIGIBLE TO CLAIM;
12 AND

13 (C) THE QUALIFIED TAXPAYER'S SOCIAL SECURITY NUMBER OR THE
14 QUALIFIED TAXPAYER'S COLORADO ACCOUNT NUMBER AND FEDERAL
15 EMPLOYER IDENTIFICATION NUMBER.

16 (5) IN ORDER TO CLAIM THE CREDIT AUTHORIZED BY THIS SECTION,
17 A QUALIFIED TAXPAYER SHALL FILE THE TAX CREDIT CERTIFICATE WITH
18 THE QUALIFIED TAXPAYER'S STATE INCOME TAX RETURN. THE AMOUNT OF
19 THE CREDIT THAT THE QUALIFIED TAXPAYER MAY CLAIM PURSUANT TO
20 THIS SECTION IS THE AMOUNT STATED ON THE TAX CREDIT CERTIFICATE.

21 (6) THE DEPARTMENT OF AGRICULTURE SHALL ISSUE CERTIFICATES
22 FOR CREDIT CLAIMS RECEIVED IN THE ORDER SUBMITTED, BUT SHALL NOT
23 ISSUE CREDIT CERTIFICATES THAT EXCEED TEN MILLION DOLLARS IN A
24 CALENDAR YEAR. AFTER CERTIFICATES HAVE BEEN ISSUED FOR CREDITS
25 IN AN AGGREGATE AMOUNT OF TEN MILLION DOLLARS FOR ALL QUALIFIED
26 TAXPAYERS DURING A CALENDAR YEAR, ANY ADDITIONAL CLAIMS MUST
27 BE PLACED ON A WAIT LIST, WITH PRIORITY FIRST GIVEN TO A QUALIFIED

1 TAXPAYER WHO HAS BEEN ISSUED A TAX CERTIFICATE IN THE CALENDAR
2 YEAR PRECEDING THE CALENDAR YEAR IN WHICH THE QUALIFIED
3 TAXPAYER IS PLACED ON THE WAIT LIST AND SECOND TO A QUALIFIED
4 TAXPAYER WHO APPLIED FOR THE TAX CREDIT AUTHORIZED IN THIS
5 SECTION BUT WAS PLACED ON THE WAIT LIST, AND A CERTIFICATE MUST BE
6 ISSUED FOR USE OF THE CREDIT IN THE NEXT CALENDAR YEAR; EXCEPT
7 THAT NO MORE THAN FIVE MILLION DOLLARS IN CLAIMS SHALL BE PLACED
8 ON THE WAIT LIST IN ANY GIVEN CALENDAR YEAR. NO CLAIM FOR A CREDIT
9 IS ALLOWED FOR ANY INCOME TAX YEAR UNLESS A CERTIFICATE HAS BEEN
10 ISSUED BY THE DIVISION. IF ALL OTHER REQUIREMENTS OF THIS SECTION
11 ARE MET, THE RIGHT TO CLAIM THE CREDIT IS VESTED IN A QUALIFIED
12 TAXPAYER AT THE TIME A CREDIT CERTIFICATE IS ISSUED.

13 (7) IF AN INCOME TAX CREDIT AUTHORIZED IN THIS SECTION
14 EXCEEDS THE INCOME TAX DUE ON THE INCOME OF THE QUALIFIED
15 TAXPAYER FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT BE
16 CARRIED FORWARD AND MUST BE REFUNDED TO THE QUALIFIED
17 TAXPAYER.

18 (8) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2034.

19 **SECTION 2. Act subject to petition - effective date.** This act
20 takes effect at 12:01 a.m. on the day following the expiration of the
21 ninety-day period after final adjournment of the general assembly; except
22 that, if a referendum petition is filed pursuant to section 1 (3) of article V
23 of the state constitution against this act or an item, section, or part of this
24 act within such period, then the act, item, section, or part will not take
25 effect unless approved by the people at the general election to be held in
26 November 2024 and, in such case, will take effect on the date of the
27 official declaration of the vote thereon by the governor.