

**Second Regular Session  
Seventy-fourth General Assembly  
STATE OF COLORADO**

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 24-0748.02 Jed Franklin x5484

**HOUSE BILL 24-1138**

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**HOUSE SPONSORSHIP**

**Catlin and Lukens,**

**SENATE SPONSORSHIP**

**Marchman,**

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**House Committees**

Agriculture, Water & Natural Resources  
Finance

**Senate Committees**

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**A BILL FOR AN ACT**

101      **CONCERNING A STATE INCOME TAX CREDIT FOR A PERSON**  
102              **TRANSFERRING AN AGRICULTURAL ASSET TO CERTAIN**  
103              **AGRICULTURAL PRODUCERS.**

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**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 (credit) for the sale or lease of land, crops, livestock and livestock facilities, farm equipment and machinery, grain storage, irrigation equipment, or water used for agriculture (agricultural assets) to certain agricultural producers for income tax years beginning on or after January 1, 2026, but before

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.*

January 1, 2031. There are 3 different credits that may be earned by a qualified taxpayer. For the sale of an agricultural asset to a beginning farmer or rancher or socially disadvantaged farmer or rancher, a qualified taxpayer may earn a credit equal to 5% of the lesser of the sale price or fair market value of the agricultural asset up to a maximum credit of \$32,000 for one income tax year. For the lease of an agricultural asset to a beginning farmer or rancher or socially disadvantaged farmer or rancher, a qualified taxpayer may earn a credit equal to 10% of the gross rental income in each of the first, second, and third years of the rental agreement, up to a maximum credit of \$7,000 for one income tax year. For the lease of an agricultural asset to a beginning farmer or rancher or socially disadvantaged farmer or rancher for a period of 20 years or more, a qualified taxpayer may also earn a credit equal to 2% of the gross rental income for each year after the first 3 years of the extended term lease, up to a maximum amount of \$2,000 per income tax year. The credit is refundable and may not be carried forward.

To claim the credit, a qualified taxpayer must apply to the Colorado agricultural value-added development board (board) for a credit certificate (certificate). The board will evaluate the application and issue a certificate if the taxpayer qualifies for the credit. If a certificate is issued, the qualified taxpayer must attach it to the taxpayer's income tax return and submit it to the department of revenue to claim the credit. The board may issue rules to administer the credit.

The aggregate amount of credits issued in one calendar year cannot exceed \$2 million. After certificates have been issued for credits that exceed an aggregate of \$2 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 \$2 million in claims shall be placed on the wait list in any given calendar year.

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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. Tax credit for leasing or selling agricultural asset**  
5 **- tax preference performance statement - legislative declaration -**  
6 **definitions - repeal.** (1) (a) IN ACCORDANCE WITH SECTION 39-21-304  
7 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE  
8 TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A

1 STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY  
2 DECLARES THAT THE PURPOSE OF THE TAX CREDIT CREATED IN THIS  
3 SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,  
4 SPECIFICALLY TO ENCOURAGE AN INDIVIDUAL TO BECOME A FARMER OR  
5 RANCHER AND PURCHASE OR LEASE AN AGRICULTURAL ASSET AND FOR AN  
6 ESTABLISHED FARMER OR RANCHER TO SELL OR LEASE AN AGRICULTURAL  
7 ASSET TO A BEGINNING OR DISADVANTAGED FARMER OR RANCHER.

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) "AGRICULTURAL ASSET" MEANS LAND, INCLUDING ESSENTIAL  
17 INFRASTRUCTURE FOR AGRICULTURAL OPERATION, CROPS, LIVESTOCK AND  
18 LIVESTOCK FACILITIES, FARM EQUIPMENT AND MACHINERY, GRAIN  
19 STORAGE, IRRIGATION EQUIPMENT, OR WATER USED FOR AGRICULTURE.

20 (b) "BOARD" MEANS THE COLORADO AGRICULTURAL  
21 VALUE-ADDED DEVELOPMENT BOARD CREATED IN SECTION 35-75-204.

22 (c) "CREDIT CERTIFICATE" MEANS A CERTIFICATE ISSUED BY THE  
23 BOARD CERTIFYING THAT A QUALIFIED TAXPAYER QUALIFIES FOR AN  
24 INCOME TAX CREDIT AUTHORIZED IN THIS SECTION AND SPECIFYING THE  
25 AMOUNT OF THE CREDIT ALLOWED.

26 (d) "ELIGIBLE BEGINNING FARMER OR RANCHER" MEANS A  
27 RESIDENT FARMER OR RANCHER WHO WILL PROVIDE THE MAJORITY OF THE

1 DAILY PHYSICAL LABOR OR MANAGEMENT ON OR USING THE QUALIFIED  
2 TAXPAYER'S AGRICULTURAL ASSET, HAS PLANS TO FARM OR RANCH  
3 FULL-TIME, HAS NOT BEEN ENGAGED IN FARMING OR RANCHING FOR MORE  
4 THAN TEN YEARS, HAS FARMING OR RANCHING EXPERIENCE OR  
5 EDUCATION, INCLUDING THE COMPLETION OF A FINANCIAL MANAGEMENT  
6 EDUCATIONAL PROGRAM APPROVED BY THE BOARD, AND PROVIDES A  
7 PROJECTED POSITIVE EARNINGS STATEMENT TO THE BOARD.

8 (e) "ELIGIBLE SOCIALLY DISADVANTAGED FARMER OR RANCHER"  
9 MEANS A FARMER OR RANCHER RESIDING IN THE STATE WHO WILL PROVIDE  
10 THE MAJORITY OF THE DAILY PHYSICAL LABOR OR MANAGEMENT ON OR  
11 USING THE QUALIFIED TAXPAYER'S AGRICULTURAL ASSET, HAS PLANS TO  
12 FARM OR RANCH FULL-TIME, HAS FARMING OR RANCHING EXPERIENCE OR  
13 EDUCATION, INCLUDING THE COMPLETION OF A FINANCIAL MANAGEMENT  
14 EDUCATIONAL PROGRAM APPROVED BY THE BOARD, PROVIDES A  
15 PROJECTED POSITIVE EARNINGS STATEMENT TO THE BOARD, AND MEETS  
16 THE DEFINITION OF "SOCIALLY DISADVANTAGED FARMER OR RANCHER" IN  
17 7 U.S.C. SEC. 2279.

18 (f) "QUALIFIED LEASE" MEANS AN INITIAL LEASE ENTERED INTO  
19 BETWEEN A QUALIFIED TAXPAYER AND AN ELIGIBLE BEGINNING FARMER  
20 OR RANCHER OR ELIGIBLE SOCIALLY DISADVANTAGED FARMER OR  
21 RANCHER FOR THE QUALIFIED TAXPAYER'S AGRICULTURAL ASSET THAT IS  
22 APPROVED BY THE BOARD AND HAS A DURATION OF AT LEAST THREE  
23 YEARS BUT LESS THAN TWENTY YEARS. IF THE LESSOR AND LESSEE OF A  
24 QUALIFIED LEASE ARE FAMILY MEMBERS, THE LESSOR AND LESSEE MUST  
25 SUBMIT A SUCCESSION PLAN, AS DEFINED AND APPROVED BY THE BOARD,  
26 FOR THE AGRICULTURAL ASSET BEFORE THE TERMINATION OF THE  
27 QUALIFIED LEASE. A SUBSEQUENT LEASE OF LESS THAN TWENTY YEARS

1 BETWEEN THE SAME PARTIES FOR THE SAME AGRICULTURAL ASSET SHALL  
2 NOT QUALIFY FOR A CREDIT PURSUANT TO THIS SECTION.

3 (g) "QUALIFIED LEASE EXTENDED TERM" MEANS A LEASE ENTERED  
4 INTO BETWEEN A QUALIFIED TAXPAYER AND AN ELIGIBLE BEGINNING  
5 FARMER OR RANCHER OR ELIGIBLE SOCIALLY DISADVANTAGED FARMER OR  
6 RANCHER FOR THE QUALIFIED TAXPAYER'S AGRICULTURAL ASSET THAT IS  
7 APPROVED BY THE BOARD AND HAS A DURATION OF AT LEAST TWENTY  
8 YEARS. IF THE LESSOR AND LESSEE OF A QUALIFIED LEASE EXTENDED TERM  
9 ARE FAMILY MEMBERS, THE LESSOR AND LESSEE MUST SUBMIT A  
10 SUCCESSION PLAN, AS DEFINED AND APPROVED BY THE BOARD, FOR THE  
11 AGRICULTURAL ASSET BEFORE THE TERMINATION OF THE QUALIFIED LEASE  
12 EXTENDED TERM.

13 (h) "QUALIFIED SALE" MEANS A SALE OF AN AGRICULTURAL ASSET  
14 BY A QUALIFIED TAXPAYER TO AN ELIGIBLE BEGINNING FARMER OR  
15 RANCHER OR ELIGIBLE SOCIALLY DISADVANTAGED FARMER OR RANCHER  
16 THAT IS APPROVED BY THE BOARD. THE QUALIFIED TAXPAYER MUST  
17 CONVEY A FEE SIMPLE ABSOLUTE INTEREST TO THE ELIGIBLE BEGINNING  
18 FARMER OR RANCHER OR ELIGIBLE SOCIALLY DISADVANTAGED FARMER OR  
19 RANCHER. A QUALIFIED SALE MUST BE BETWEEN A SELLER AND A BUYER  
20 WHOSE BUSINESSES ARE FINANCIALLY SEPARATE AND DISTINCT FROM  
21 EACH OTHER.

22 (i) "QUALIFIED TAXPAYER" MEANS A PERSON SUBJECT TO TAX  
23 PURSUANT TO THIS ARTICLE 22 THAT OWNS AN AGRICULTURAL ASSET  
24 LOCATED IN THE STATE AT THE TIME OF THE EXECUTION OF THE QUALIFIED  
25 LEASE, QUALIFIED LEASE EXTENDED TERM, OR QUALIFIED SALE OF THE  
26 AGRICULTURAL ASSET.

27 (3) (a) SUBJECT TO THE LIMITATIONS SET FORTH IN SUBSECTION

1 (3)(b) OF THIS SECTION, FOR INCOME TAX YEARS COMMENCING ON OR  
2 AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2031, A QUALIFIED  
3 TAXPAYER IS ALLOWED A CREDIT AGAINST THE INCOME TAXES IMPOSED BY  
4 THIS ARTICLE 22 IN AN AMOUNT EQUAL TO:

5 (I) TEN PERCENT OF THE LESSER OF THE SALE PRICE OR FAIR  
6 MARKET VALUE OF AN AGRICULTURAL ASSET SOLD PURSUANT TO A  
7 QUALIFIED SALE, UP TO A MAXIMUM AGGREGATE CREDIT OF FIFTY  
8 THOUSAND DOLLARS PER INCOME TAX YEAR;

9 (II) FIFTEEN PERCENT OF AN AMOUNT EQUAL TO THE AGGREGATE  
10 LEASE PAYMENTS FOR EACH OF THE FIRST THREE YEARS OF A QUALIFIED  
11 LEASE, NOT TO EXCEED TEN THOUSAND DOLLARS PER INCOME TAX YEAR;  
12 AND

13 (III) FIVE PERCENT OF AN AMOUNT EQUAL TO THE AGGREGATE  
14 LEASE PAYMENTS FOR EACH YEAR OF A QUALIFIED LEASE EXTENDED  
15 TERM'S REMAINING TERM AFTER THE FIRST THREE YEARS, NOT TO EXCEED  
16 FIVE THOUSAND DOLLARS PER INCOME TAX YEAR.

17 (b) TO CLAIM THE CREDIT, THE TAXPAYER MUST ANNUALLY APPLY  
18 FOR AND RECEIVE A TAX CREDIT CERTIFICATE FROM THE BOARD PURSUANT  
19 TO SUBSECTION (4) OF THIS SECTION. IF THE BOARD DETERMINES THAT AN  
20 APPLICANT IS NOT ENTITLED TO A TAX CREDIT CERTIFICATE UNDER THIS  
21 SECTION, THE BOARD SHALL NOTIFY THE APPLICANT OF ITS DISAPPROVAL  
22 IN WRITING.

23 (4) (a) A QUALIFIED TAXPAYER SHALL SUBMIT AN APPLICATION TO  
24 THE BOARD FOR A TAX CREDIT CERTIFICATE TO CLAIM THE CREDIT  
25 ALLOWED BY THIS SECTION ON A FORM AND IN A MANNER PRESCRIBED BY  
26 THE BOARD. THE APPLICATION MUST INCLUDE SUFFICIENT INFORMATION,  
27 INCLUDING A VALID INTERNAL REVENUE SERVICE FORM SCHEDULE F OR

1 ANY SUCCESSOR TAX FORM THAT RELATES TO PROFITS AND LOSSES  
2 GENERATED BY FARMING, TO ALLOW THE BOARD TO MAKE A  
3 DETERMINATION THAT A SALE OR LEASE IS A QUALIFIED SALE, QUALIFIED  
4 LEASE, OR QUALIFIED LEASE EXTENDED TERM, AND TO VERIFY THE  
5 AMOUNT FOR WHICH THE TAX CREDIT CERTIFICATE IS APPLIED.

6 (b) (I) THE BOARD SHALL MAINTAIN A DATABASE OF ANY  
7 INFORMATION DETERMINED NECESSARY BY THE BOARD TO EVALUATE THE  
8 EFFECTIVENESS OF THE INCOME TAX CREDIT ALLOWED IN THIS SECTION IN  
9 MEETING THE PURPOSE SET FORTH IN SUBSECTION (1) OF THIS SECTION AND  
10 SHALL PROVIDE SUCH INFORMATION, AND ANY OTHER INFORMATION THAT  
11 MAY BE NEEDED, IF AVAILABLE, TO THE STATE AUDITOR AS PART OF THE  
12 STATE AUDITOR'S EVALUATION OF THIS TAX EXPENDITURE REQUIRED BY  
13 SECTION 39-21-305.

14 (II) THE BOARD SHALL, IN A SUFFICIENTLY TIMELY MANNER TO  
15 ALLOW THE DEPARTMENT OF REVENUE TO PROCESS RETURNS ON WHICH A  
16 QUALIFIED TAXPAYER CLAIMS THE INCOME TAX CREDIT ALLOWED IN THIS  
17 SECTION, PROVIDE THE DEPARTMENT OF REVENUE WITH AN ELECTRONIC  
18 REPORT FOR THE PRECEDING TAX YEAR THAT LISTS EACH QUALIFIED  
19 TAXPAYER TO WHICH THE BOARD ISSUED A TAX CREDIT CERTIFICATE AND  
20 INCLUDES THE FOLLOWING INFORMATION:

21 (A) THE QUALIFIED TAXPAYER'S NAME;

22 (B) THE AMOUNT OF THE INCOME TAX CREDIT THAT THE  
23 CERTIFICATE INDICATES THE QUALIFIED TAXPAYER IS ELIGIBLE TO CLAIM;  
24 AND

25 (C) THE QUALIFIED TAXPAYER'S SOCIAL SECURITY NUMBER OR THE  
26 QUALIFIED TAXPAYER'S COLORADO ACCOUNT NUMBER AND FEDERAL  
27 EMPLOYER IDENTIFICATION NUMBER.

1           (5) TO CLAIM THE CREDIT AUTHORIZED BY THIS SECTION, A  
2 QUALIFIED TAXPAYER SHALL FILE THE TAX CREDIT CERTIFICATE WITH THE  
3 QUALIFIED TAXPAYER'S STATE INCOME TAX RETURN. THE AMOUNT OF THE  
4 CREDIT THAT THE QUALIFIED TAXPAYER MAY CLAIM PURSUANT TO THIS  
5 SECTION IS THE AMOUNT STATED ON THE TAX CREDIT CERTIFICATE,  
6 SUBJECT TO THE LIMITATIONS IN SUBSECTION (3)(b) OF THIS SECTION.

7           (6) THE BOARD SHALL ISSUE CERTIFICATES FOR APPLICATIONS  
8 RECEIVED AND APPROVED IN THE ORDER SUBMITTED BUT SHALL NOT ISSUE  
9 CREDIT CERTIFICATES TO QUALIFIED TAXPAYERS THAT EXCEED AN  
10 AGGREGATE AMOUNT OF ONE AND ONE-HALF MILLION DOLLARS IN A  
11 CALENDAR YEAR FOR INCOME TAX YEARS THAT COMMENCE DURING THE  
12 YEAR OF ISSUANCE. IF THE BOARD RECEIVES AND APPROVES APPLICATIONS  
13 FOR CREDIT CERTIFICATES THAT EXCEED AN AGGREGATE AMOUNT OF ONE  
14 AND ONE-HALF MILLION DOLLARS IN A CALENDAR YEAR, THOSE  
15 APPLICANTS MUST BE PLACED ON A WAIT LIST IN THE ORDER SUBMITTED  
16 AND APPROVED AND A CERTIFICATE MUST BE ISSUED FOR THE FOLLOWING  
17 CALENDAR YEAR THAT ALLOWS THE TAXPAYER TO CLAIM THE CREDIT FOR  
18 INCOME TAX YEARS THAT COMMENCE DURING THAT FOLLOWING  
19 CALENDAR YEAR; EXCEPT THAT NO MORE THAN AN AGGREGATE AMOUNT  
20 OF ONE AND ONE-HALF MILLION DOLLARS IN APPROVED CREDIT  
21 CERTIFICATE APPLICATIONS MAY BE PLACED ON THE WAIT LIST IN ANY  
22 GIVEN CALENDAR YEAR. NOTWITHSTANDING A TAXPAYER'S  
23 QUALIFICATION FOR THE CREDIT PURSUANT TO THIS SECTION, THE BOARD  
24 SHALL NOT ISSUE A CREDIT CERTIFICATE, AND A TAXPAYER MAY NOT  
25 CLAIM A CREDIT, TO THE EXTENT THAT THE AMOUNT OF THE CREDIT  
26 INCLUDED IN THE TAXPAYER'S APPLICATION EXCEEDS THE LIMITS SET  
27 FORTH IN THIS SUBSECTION (6). A TAXPAYER MAY NOT CLAIM A CREDIT



1 FOR ANY INCOME TAX YEAR UNLESS A CERTIFICATE HAS BEEN ISSUED BY  
2 THE BOARD.

3 (7) IF AN INCOME TAX CREDIT AUTHORIZED IN THIS SECTION  
4 EXCEEDS THE INCOME TAX DUE ON THE INCOME OF THE QUALIFIED  
5 TAXPAYER FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT BE  
6 CARRIED FORWARD AND MUST BE REFUNDED TO THE QUALIFIED  
7 TAXPAYER.

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

9 **SECTION 2.** In Colorado Revised Statutes, 35-75-204, **amend**  
10 (1) as follows:

11 **35-75-204. Duties of board - agriculture value-added grants,**  
12 **loans and loan guarantees, and equity investments - rules - tax credit**  
13 **certificates.** (1) The board has the power to make grants, loans and loan  
14 guarantees, and equity investments to any person, including eligible  
15 agricultural value-added cooperatives, as defined in section 35-75-202  
16 (4), for new or ongoing agricultural projects and research that add value  
17 to Colorado agricultural products and aid the economy of rural Colorado  
18 communities and for agricultural projects that will reduce energy costs for  
19 agricultural producers or businesses. The board also has the power to  
20 fund market promotion activities of the department pursuant to section  
21 35-75-205 (2)(f). THE BOARD HAS THE POWER TO ISSUE RULES TO  
22 ADMINISTER SECTION 39-22-560 AND THE POWER TO ISSUE TAX CREDIT  
23 CERTIFICATES PURSUANT TO SECTION 39-22-560.

24 **SECTION 3. Act subject to petition - effective date.** This act  
25 takes effect at 12:01 a.m. on the day following the expiration of the  
26 ninety-day period after final adjournment of the general assembly; except  
27 that, if a referendum petition is filed pursuant to section 1 (3) of article V

1 of the state constitution against this act or an item, section, or part of this  
2 act within such period, then the act, item, section, or part will not take  
3 effect unless approved by the people at the general election to be held in  
4 November 2024 and, in such case, will take effect on the date of the  
5 official declaration of the vote thereon by the governor.