## Income Tax - Gross conservation easement income tax credit – pass through entity rules

Scenario: A qualified pass-through entity was eligible for and took an income tax credit for its donation of a conservation easement in Year 1. The entity passed the credit to its members in Year 1. As of tax Year 2, not all members have fully utilized their entire income tax credit. If the pass-through entity donates another conservation easement in Year 2, will the donation qualify for another income tax credit?

Answer: Yes, the pass-through entity will qualify for a gross conservation easement income tax credit in Year 2, which it will pass through to its members in proportion to their distributive shares of income from such entity.

However, any members who have not fully utilized their previous credit or transferred all or part of their previous credit to a taxpayer who has not fully utilized the credit, will **not** be entitled to claim their share of the Year 2 credit. That part of the Year 2 credit will be lost and cannot be claimed by other members of the entity, nor can that part of the credit be sold by the entity to another taxpayer. [§39-22-522(6), C.R.S.]