



Wildfire Mitigation Measures Tax Credit

Tax Expenditure Evaluation • June 2026 • 2026-TE4

Tax Type:	Income
Expenditure Type:	Credit
Statutory Citation:	Section 39-22-543, C.R.S.
Year Enacted:	2022
Repeal/Expiration Date:	January 1, 2031
Revenue Impact (2023):	\$198,158

Purpose given in statute or enacting legislation? **Yes**

The Wildfire Mitigation Measures Tax Credit allows taxpayers who own or lease private land in Colorado, and meet certain income limitations, to claim an income tax credit for the costs of wildfire mitigation performed on their private property. **The General Assembly created the credit to “reimburse a landowner for the costs incurred in performing wildfire mitigation measures on the landowner’s property” in Colorado.**

Overall, we found that the credit has only been partially effective at meeting its purpose because it has been underutilized and the benefit of the credit is relatively low compared to the costs of wildfire mitigation.

- The use of the credit was very low relative to the overall number of taxpayers that were likely eligible for the credit. In Tax Year 2023, the most recent year of data available, there were about 450 claims for the credit. Stakeholders reported that awareness of the credit is low, with many reporting they had not heard about the credit prior to our outreach.
- Due to the credit being non-refundable, lower income taxpayers who have little to no state tax liability receive a lower credit amount, or no credit because they cannot claim any amount over their actual state tax liability. Additionally, taxpayers with a Federal Taxable Income (FTI) above \$120,000 were not eligible for the credit. Starting in Tax Year 2027 the credit will be refundable and the income limitation has been increased to \$300,000 federal Adjusted Gross Income (AGI).
- The costs for wildfire mitigation can vary significantly depending on the type of mitigation activity and the size of the project. According to State Forest Service data, the costs of a one-acre defensible space project around a home typically ranges between a total of \$3,200 and \$6,100. For taxpayers that could claim the full amount of \$625 in Tax Year 2023, the credit would have covered between 10 and 20 percent of their costs. Starting in Tax Year 2027, the credit amount is increased to a maximum of \$2,000. Additionally, the credit cannot be claimed for costs of structural mitigation activities like installing a fire-resistant roof, because statute does not include home-hardening activities, despite their effectiveness at reducing the likelihood that a structure will burn and their inclusion in general mitigation standards.

The changes the General Assembly made through House Bill 26-1289 to the income limitation, and amount and refundability of the Wildfire Mitigation Credit may address some of the issues impacting the effectiveness of the credit. The changes will likely increase the number of taxpayers who are eligible to receive the credit and the amount the credit reimburses taxpayers for wildfire mitigation work in future years, starting in Tax Year 2027. As a result we do not have a policy consideration related to these issues.

Policy Consideration

The General Assembly may want to consider allowing home hardening activities to be an eligible expense for the credit. According to the State Forest Service and Department of Natural Resources, home hardening activities and defensible space projects work together to reduce the impacts of wildfires in the area closest to the home by reducing structural ignitability.

Wildfire Mitigation Credit

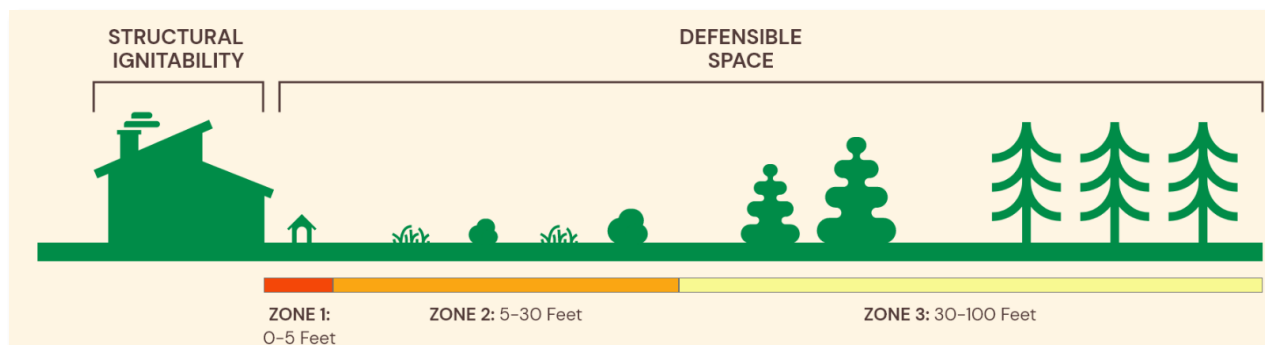
Background

The Wildfire Mitigation Credit (credit) allows taxpayers who own or lease private land in Colorado, and meet certain income limitations, to claim an income tax credit for wildfire mitigation costs performed on their private property.

Qualifying wildfire mitigation measures are defined in statute as “the creation of a defensible space around structures; the establishment of fuel breaks; the thinning of woody vegetation for the primary purpose of reducing risk to structures from wildland fire; or the secondary treatment of woody fuels by lopping and scattering, piling, chipping, removing from the site, or prescribed burning...” [Section 39-22-543(2)(d), C.R.S.]. Statute also specifies that wildfire mitigation measures must “meet or exceed any Colorado state forest service standards or any other applicable state rules” to qualify. The Colorado State Forest Service (State Forest Service), housed within the Division of Forestry at the Department of Natural Resources (DNR), provides guidance to homeowners interested in performing wildfire mitigation activities through its Live Wildfire Ready campaign and a Home Ignition Zone guide, which educates homeowners on how to reduce structural ignitability (e.g., home hardening) and create a defensible space in three zones, as shown in Exhibit 1. Home hardening activities focus on structural components to make the building resistant to ignition from embers and flames by using noncombustible materials (e.g., roofing, exterior walls, decking, fences). Creating defensible space focuses on reducing fuel loads around a home or structure to decrease the risk of a fire spreading (e.g., removing flammable vegetation, pruning branches, spacing trees) and may require ongoing maintenance.

Exhibit 1

Home Ignition Zone

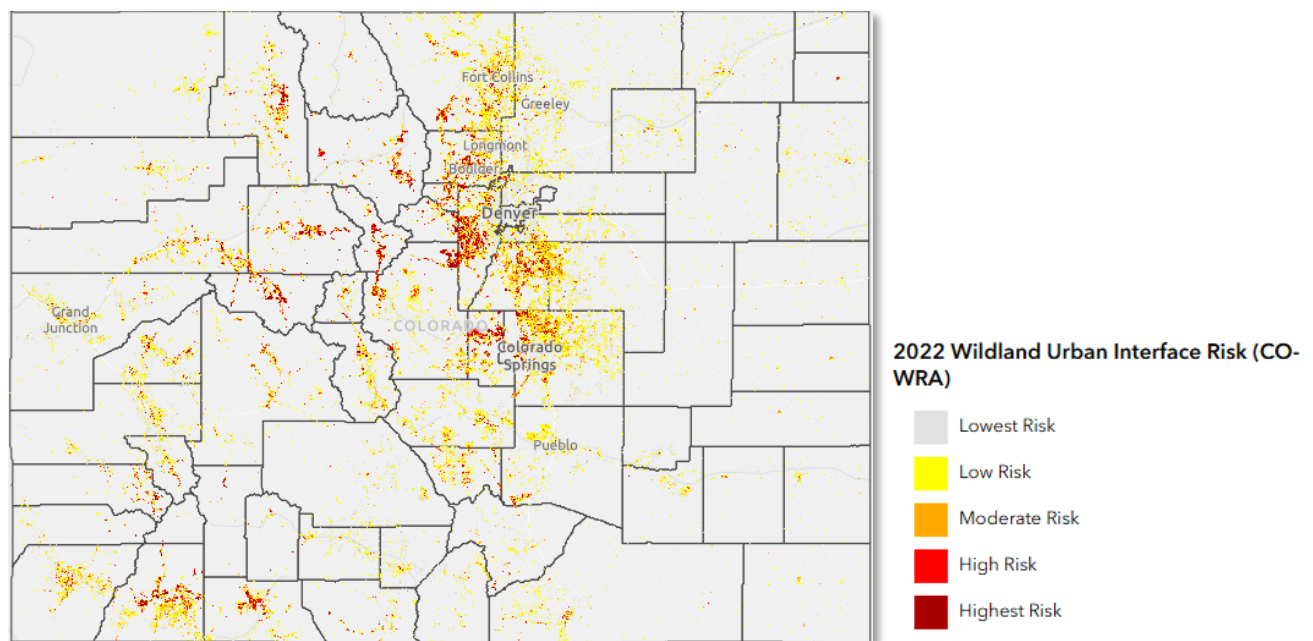


Source: Colorado State Forest Service’s Live Wildfire Ready Program Website.

Wildfire mitigation work on private property is not generally subject to statewide standards, but local mitigation requirements apply in some areas of the state, particularly in the wildland-urban interface. The State Forest Service defines the wildland-urban interface as “any areas where structures and other human developments meet or intermingle with wildland vegetative fuels.” The State Forest Service estimates that 2.5 million Coloradans live in the wildland-urban interface, covering 4.5 million acres of the state. Exhibit 2 shows the wildland-urban interface risk across the state. Wildland-urban interface risk is a measure of the potential impact of a wildfire on people and their homes. Housing density data (houses per acre) was combined with flame length to calculate the wildland-urban interface risk index. Areas in the wildland-urban interface with high housing density and high flame lengths are highest risk, whereas areas with low housing density and low flame lengths are lowest risk.

Exhibit 2

Wildland-Urban Interface Risk Map, 2022 Colorado Wildfire Risk Assessment (CO-WRA)



Source: Colorado State Forest Service and Technosylva Inc. 2022 Colorado Wildfire Risk Assessment (CO-WRA).

Since 2025, local districts that provide fire protection services can create requirements through vegetative fuel programs and the Wildfire Resiliency Code Board has new standards for wildfire mitigation activities in the wildland-urban interface, with requirements tailored to fire risk.

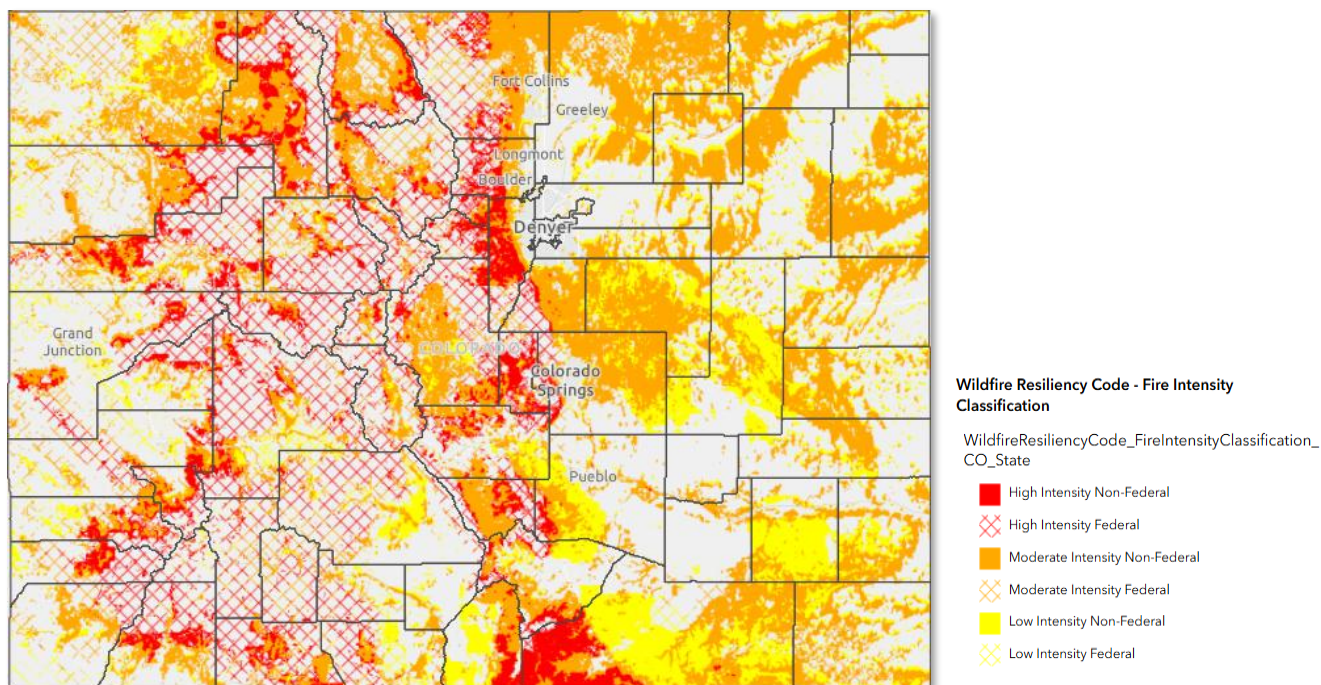
Technical Note: Senate Bill 23-166 created the Colorado Wildfire Resiliency Code Board to develop minimum standards for reducing structural ignitability and fire risk in the defensible space surrounding structures in the wildland-urban interface. The Board adopted the 2025 Colorado Wildfire Resiliency Code on July 1, 2025. Statute requires local governing bodies in the wildland-urban interface to adopt code standards by April 1, 2026 with enforcement starting by July 1, 2026. The code does not apply retroactively, instead it applies for new construction and certain exterior alterations and additions. The Wildfire Resiliency Code Board Cash Fund is used to support implementation and enforcement of the code [Section 24-33.5-1236(8) C.R.S.], with administrative support from the Division of Fire Prevention and Control in the Department of Public Safety.

House Bill 25-1009 authorizes fire protection districts and metropolitan districts that provide fire protection services to implement local vegetative fuel management programs to reduce wildfire risk and improve community safety. Local districts may adopt vegetative fuel removal management requirements that align with the standards and codes developed by the Colorado Wildfire Resiliency Code Board. Statute authorizes fire protection districts to impose fines for noncompliance and requires districts to prioritize revenue from those fines to assist low-income residents, seniors, and individuals with disabilities. Districts may also waive fines for weather-related delays or grant residents up to a one-year extension to comply if they demonstrate a good faith effort to mitigate flammable vegetation and the district determines that mitigation costs warrant additional time.

Exhibit 3 shows the State map for the 2025 Colorado Wildfire Resiliency Code. The map shows areas classified by expected fire intensity, and the code tailors requirements to the specific fire hazard level. Low fire intensity areas are only subject to structure hardening requirements, focused on construction materials and methods to make the home ignition resistant from embers and flames (e.g., roofing, exterior walls, decking), within five feet of the home. Moderate to high fire intensity areas are subject to structure hardening requirements, as well as additional site and area requirements in the surrounding defensible space to reduce nearby fuel loads and wildfire intensity around structures, within 100 feet of the home. Local governing bodies can either adopt the official state-provided map or develop a local map.

Exhibit 3

2025 Wildfire Resiliency Code Map



Source: Division of Fire Prevention and Control and the Colorado State Forest Service State Map for the Application of the 2025 Wildfire Resiliency Code.

The credit was created in 2022 by House Bill 22-1007 and was first available in Tax Year 2023. House Bill 22-1007 also extended the expiration date of the Wildfire Mitigation Deduction (deduction)—which the structure and purpose of the credit was largely based on—through Tax Year 2025. The deduction was created in 2008 and was available only to private landowners and leaseholders in the wildland-urban interface including individuals, as well as estates and trusts. The credit instituted an income threshold for eligibility, but removed the specific wildland-urban interface requirement, allowing taxpayers in any part of the state to be eligible to claim it. We published a report evaluating the deduction in February 2023. In that 2023 report, we found that a landowner in a wildland-urban interface area could potentially claim both the deduction and the credit for qualifying wildfire mitigation costs (a potential total tax benefit of \$735 for both expenditures), and it was unclear if this was the General Assembly’s intent. Based on our review of the House Bill 24-1036 legislative history—which passed after our previous evaluation and modified the deduction to expire a year earlier at the end of Tax Year 2024—the General Assembly did not intend the two provisions to create a duplicative benefit or a larger potential benefit for certain taxpayers. Starting in Tax Year 2025, only the credit is available to taxpayers. However, there was overlap in the availability of the deduction and the credit for Tax Years 2023 and 2024 for taxpayers in the wildland-urban interface.

Since the credit became available in Tax Year 2023, the General Assembly has made several changes that have revised the amount of the credit, the type of expenses that qualify, taxpayer income limitations, and whether the credit is refundable (i.e., the taxpayer receives the full value of the credit

even if it is over their state income tax liability). Because the most recently available data for the credit is for Tax Year 2023, this evaluation provides information on the use and benefit of the credit as it existed in 2023, and provides information on recent updates to the credit that may impact the use and benefit of the credit going forward. House Bill 24-1036 changed the definition of eligible costs in 2024 and increased the credit amount starting in Tax Year 2025. House Bill 26-1289 narrowed the definition of “landowner” to individuals and extended the credit through Tax Year 2030. Starting in Tax Year 2027, House Bill 26-1289 also makes the credit refundable, increases the income limit for eligibility and the credit amount, and expands eligibility to include thinning woody vegetation infested or at risk of infestation for mountain pine beetle or spruce beetle.

Prior to Tax Year 2027, the credit is only available to taxpayers with Federal Taxable Income (FTI) below specific amounts. Specifically, statute limits eligibility for the credit to taxpayers with an FTI of \$120,000 or less, adjusted annually for inflation. This \$120,000 FTI limitation applies to both single and joint filers. House Bill 26-1289 increased the income limitation so that taxpayers with a Federal Adjusted Gross Income (AGI) of up to \$300,000 may claim the credit starting in Tax Year 2027. Exhibit 4 shows the credit limitations across years.

Technical Note: FTI is calculated after taxpayers deduct either the standard deduction or itemized deductions (e.g., charitable contributions, mortgage interest, state and local taxes, etc.) from their Federal AGI. While the exact calculations of Federal AGI and FTI vary for taxpayers based on their unique circumstances, in general, FTI is a lower amount than Federal AGI.

Exhibit 4

Wildfire Mitigation Measures Credit Limitations by Tax Year, 2023 through 2027

Tax Year	2023	2024	2025	2026	2027
Income Limitation	\$120,000 FTI	\$126,300 FTI	\$129,200 FTI	TBD ¹	\$300,000 Federal AGI
Credit as a Percent of Mitigation Expenses	25 percent	25 percent	100 percent	100 percent	100 percent
Maximum Credit	\$625	\$625	\$1,000	\$1,000	\$2,000 (Refundable)

Source: Colorado Office of the State Auditor analysis of Department of Revenue guidance and statute [Section 39-22-543, C.R.S.].

¹ The Department of Revenue cannot calculate the inflation adjusted limit for the 2026 Tax Year until the end of the year.

To qualify for the credit, taxpayers must hire a third-party service provider to perform eligible wildfire mitigation activities. Taxpayers cannot claim a credit for any certification or inspection fees, nor can taxpayers claim a credit for cost-sharing (i.e., shared mitigation expenses split among property owners) or any portion of mitigation that may have been covered through a grant program. However, if a taxpayer participates in a grant program that reimburses them for a portion of costs, they could qualify to claim a credit for the portion of costs not reimbursed by the grant. Taxpayers claim the credit when they file their state income tax return and must submit receipts documenting eligible expenses.

Technical Note: When the credit was originally enacted in House Bill 22-1007, taxpayers could claim the credit for costs incurred from performing the mitigation work themselves, such as renting or purchasing equipment and materials. However, the General Assembly amended the definition of costs under House Bill 24-1036 to include only costs paid to a third-party service provider that performs wildfire mitigation measures. Starting in August 2024, any amount that a landowner pays to purchase materials or purchase or rent equipment is not eligible for the credit [Section 39-22-543(2)(a), C.R.S.].

Wildfires cause significant damage to property in Colorado each year. For example, according to the Rocky Mountain Insurance Information Association, the 2021 Marshall Fire in Boulder County resulted in insurance claims of over \$2 billion, with more than 1,200 properties lost or damaged. Wildfire mitigation can reduce damage to property when a wildfire occurs nearby. According to the Rocky Mountain Insurance Information Association, Colorado saw a 58 percent average increase to home insurance premium costs from 2018 to 2023, compared to a nationwide increase of only 34 percent. While most of this increase is driven by hail risk, which is spread across all areas of the state, over 321,000 Colorado homes are at risk of wildfire damage. The Division of Insurance (DOI), within the Department of Regulatory Agencies, reported that insurers target high-risk areas when pricing for wildfire risk. For example, the average wildfire portion of a premium is close to 25 percent for La Plata County, whereas its about 1 percent for Denver County. DOI's analysis found wildfire mitigation has the potential to save homeowners an average of \$3 to \$25 per year. House Bill 25-1182 requires insurers to incorporate wildfire mitigation into wildfire risk assessments or offer discounts for wildfire mitigation and home hardening work to policyholders starting in July 2026. Additionally, Senate Bill 26-155 creates a new enterprise, the Strengthen Colorado Homes Enterprise (Enterprise) in DOI, to impose and collect an annual fee assessed on insurers. A portion of the fee is allocated to the Enterprise Board to conduct or contract for a study to analyze insurance risk in high-risk wildfire areas of the state, including an analysis of market competition in those areas and the impact of a high-risk insurance program on the availability of homeowner's insurance in those areas.

Per statute, the purpose of the credit is to “reimburse a landowner for the costs incurred in performing wildfire mitigation measures on the landowner’s property” in Colorado. The State Forest Service estimates that over 50 percent of the land in Colorado is privately owned, emphasizing the importance of private landowners doing wildfire mitigation to reduce overall wildfire risk in the state. According to the National Fire Protection Association, removing flammable materials, such as vegetation and mulch, from the perimeters of a home and thinning trees can significantly decrease wildfire damage or destruction.

Statute does not provide performance measures to evaluate whether the credit is meeting its purpose. Therefore, we evaluated the effectiveness of the credit at meeting its purpose by measuring the extent to which the credit provides financial support to private landowners who incur costs related to completing wildfire mitigation activities.

We developed the following performance measures to evaluate the credit:

- The extent to which private landowners and wildfire mitigation service providers are aware of the credit, and the overall use of the credit.
- The extent to which the credit provides financial support to private landowners who incur costs for completing wildfire mitigation activities, including the extent to which private landowners in different income groups can claim the credit.

Evaluation Results

Overall, we found that the credit is partially meeting its purpose as it does provide a reimbursement to landowners that have wildfire mitigation work done on their property and apply for the credit. However, we found that the credit is underutilized due to a lack of awareness and understanding among taxpayers, and the benefit of the reimbursement is relatively low compared to average costs for wildfire mitigation. Recent legislation made changes that may improve the use of the credit and the reimbursement amount, which could be an important piece of providing private landowners with assistance to perform mitigation work that otherwise is not available from the State's other programs.

The credit is underutilized. The credit reimbursed about \$200,000 to 457 landowners for their wildfire mitigation expenses in Tax Year 2023, the most recent data available at the time of our review. We were not able to determine how many landowners were potentially eligible for the credit because there is not a source of data on the number of private landowners and leaseholders that had an FTI of \$120,000 or less and performed mitigation work eligible for the credit. Therefore, we were not able to determine what percentage of the eligible population claimed the credit. However, landowners in the wildland-urban interface could have claimed both the credit and the deduction in Tax Year 2023, to the extent that their FTI was \$120,000 or less, and they had a state income tax liability to apply the credit against.

When compared to the use of the deduction, the usage of the credit is low. According to Department data, 2,140 individual taxpayers claimed the deduction in Tax Year 2023. Among taxpayers with a Federal AGI below \$100,000, who likely were also eligible for the credit in Tax Year 2023, far more individuals claimed the deduction than the credit. In this income group, 271 individuals claimed the credit compared to 638 who claimed the deduction, even though the deduction was limited to taxpayers living in the wildland-urban interface whereas the credit is available statewide. Since the Department's aggregate data for Tax Year 2023 only provides claims by Federal AGI, not FTI, we could not conduct a definite comparison of all taxpayers with an FTI of \$120,000 or less. However, taxpayers with a Federal AGI below \$100,000 are likely well below the \$120,000 FTI limit for the credit. Among taxpayers with a Federal AGI between \$100,000 and \$200,000 for Tax Year 2023, 184 individuals claimed the credit compared to 766 individuals who claimed the deduction.

Technical Note: The Department of Revenue publishes summary statistics of taxpayers claiming income tax credits and deductions by Federal AGI annually. According to Department data, most taxpayers subtract the standard deduction from their Federal AGI to reach FTI. Based on the 2023 federal standard deduction amounts, the credit's FTI limitation of \$120,000 translates to a Federal AGI of at least \$133,850 for single taxpayers and \$147,700 for joint taxpayers.

While the credit can also be claimed by estates and trusts, as well as partnerships and S corporations with residential dwellings on the land, the Department's tax forms for these entities aggregate the credit with other credits; therefore, the Department does not track or report on wildfire mitigation credits claimed by taxpayers other than individuals. As a result, we cannot verify if any other types of private landowners, such as trusts, estates, partnerships, S corporations, or similar entities, benefited from the credit. However, the Department's tax guidance only provides instructions on claiming the credit for individual taxpayers, so other types of private landowners in Colorado may not be aware that statute allows them to benefit from the credit, or may not know how to claim the benefit at the entity level. Therefore, there are likely not a significant number of other types of landowners who claimed the credit, and House Bill 26-1289 narrows eligibility to only individual taxpayers starting in Tax Year 2026.

General awareness of the credit is low among stakeholders, including contractors and landowners. We conducted a survey gauging awareness of the credit across Colorado by contacting contractors and fire prevention community partners. We relied on local community partners to extend survey outreach to landowners. We received 360 responses, including 241 responses from private landowners or leaseholders and 28 responses from wildfire mitigation contractors. Less than 50 percent of respondents were aware of the credit prior to the survey and 115 respondents stated that they first learned about the credit from the survey; under 11 percent of respondents indicated they are very familiar with the credit. Over 70 percent of respondents stated that, in general, landowners are unaware of the credit and 20 percent stated that contractor awareness is low.

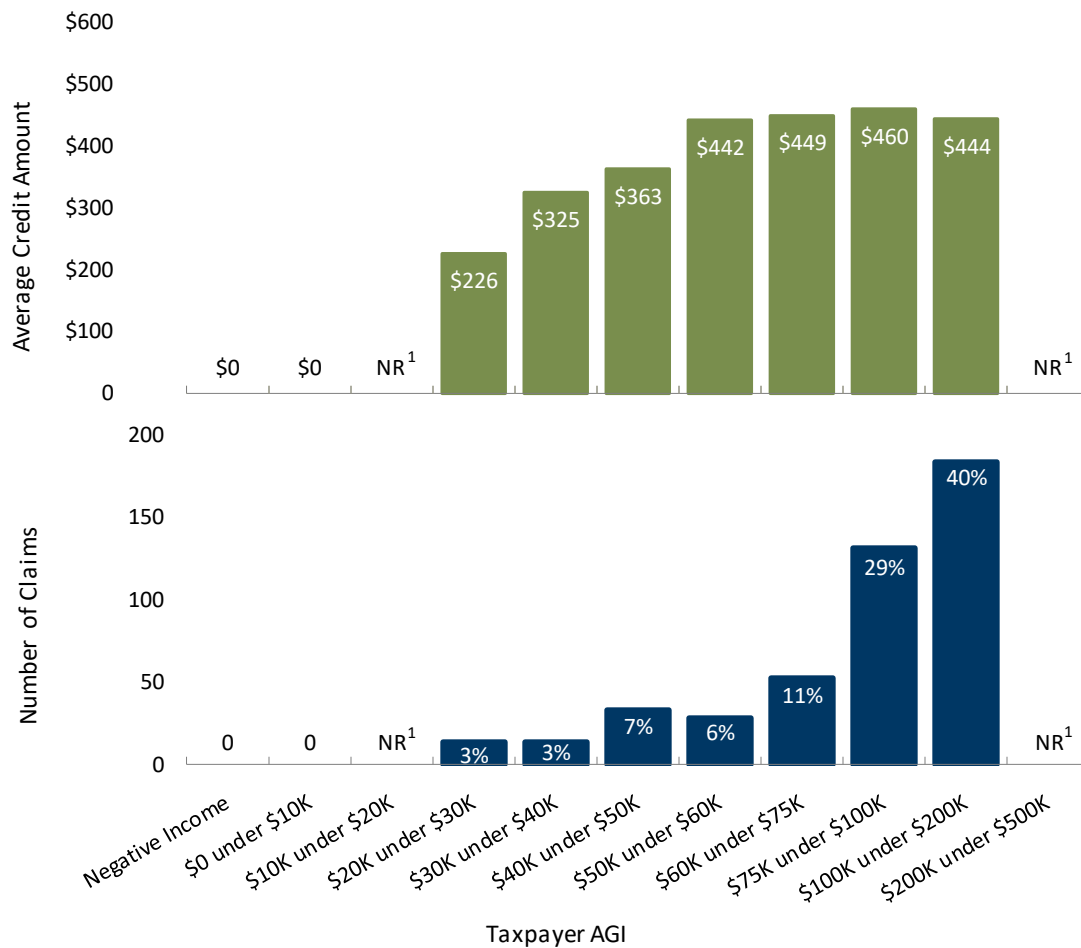
While our survey has likely helped increase awareness of the credit for use in future tax years, landowners generally rely on trusted community partners, such as fire protection districts or regional wildfire councils, to learn about wildfire mitigation funding opportunities. Some community partners we identified shared outdated information on their websites regarding the credit or the deduction prior to the survey. The State Forest Service reported to us that they are planning to include information on the credit on their webpage and with information they share about resources for landowners. They are also considering including information in the materials for their Live Wildfire Ready program that conducts outreach to homeowners, if it expands beyond its focus on simple mitigation actions homeowners can take themselves. These outreach efforts might help increase awareness and utilization of the credit in future years.

The credit likely reimbursed taxpayers for a relatively small portion of their mitigation costs, was unavailable for taxpayers with FTI above \$120,000, and was further limited for lower income taxpayers who may not have had sufficient tax liability to receive the full amount of the credit. In Tax Year 2023, more than 40 percent of total credit dollars benefited taxpayers with

Federal AGI between \$100,000 and under \$200,000. The credit did not provide assistance to the lowest income taxpayers, in part, because they may have lacked the income tax liability to claim the credit, which was not refundable in Tax Year 2023, or to higher income taxpayers because they may not have been eligible to claim it. Exhibit 5 shows average credits claimed and total number of claims by taxpayers in Tax Year 2023, by income level.

Exhibit 5

Average Credit Amounts Claimed and Count of Claims¹ by Income Level, Tax Year 2023



Source: Colorado Office of the State Auditor analysis of Department of Revenue data for individual taxpayers.

¹ Due to the number and amount of credits claimed by some income groups being non-releasable to protect taxpayer confidentiality, the number of claims and amount claimed shown in this graphic is less than the total claims and amount claimed reported elsewhere in this report.

Tax credits that are nonrefundable are limited to the total amount of tax liability the taxpayer owes. Because the credit is nonrefundable, the tax benefit shrinks to the extent that a landowner does not generate at least \$625 of state income tax liability. Less than 10 percent of total credit dollars benefited taxpayers with Federal AGI below \$50,000, even though 13 percent of total claimants were in this income level. According to Department of Revenue data, 457 taxpayers claimed the credit in Tax Year 2023, with the average credit being about \$434, which is about 30 percent below

the maximum \$625 credit. On the other hand, because of the income limitation, a landowner with FTI above \$120,000 in Tax Year 2023, for both joint and single filers, would not receive any tax benefit from the credit.

Department data shows that in Tax Year 2023, the majority of taxpayers that benefited from the deduction had a Federal AGI above \$100,000, the majority of taxpayers that benefited from the credit had a Federal AGI above \$75,000, and almost five times as many taxpayers were able to claim the deduction compared to the credit. Taxpayers in these AGI brackets may more likely be able to afford mitigation costs, but also still likely require some financial assistance, especially for larger projects, and would benefit from the credit. The FTI limitation likely reduced the amount of taxpayers that could claim the credit compared to the deduction and may have excluded some taxpayers, especially joint filers, from being eligible to claim the credit. The deduction had no income limitations. While it is not uncommon to use income limitations to target a tax incentive towards those who may need the credit, and as a way to control costs by reducing the total amount of people that are eligible, the \$120,000 FTI limit likely excluded many taxpayers that were previously eligible for the deduction.

For taxpayers that could claim the full credit, the reimbursement likely provided eligible landowners with a relatively small financial benefit compared to the cost of wildfire mitigation. Mitigation costs can vary significantly depending on the scope of work and can range in activities from vegetative fuels management to landscaping and home hardening. We were not able to determine actual mitigation activities or costs incurred by landowners who claimed the credit. Therefore, we were not able to determine what percentage of eligible mitigation costs were reimbursed for credit claimants. The State Forest Service estimates median statewide mitigation costs to be about \$4,300 per acre, based on treatment costs associated with its administration of the Forest Restoration and Wildfire Risk Mitigation Grant Program. Projects conducted under this program are statewide and cover a range of forest conditions. Additionally, the State Forest Service received information from local partners that a one-acre defensible space project around a home or buildings may cost on average between \$3,200 and \$6,100, depending on the location. As a result, if a taxpayer spent between \$3,200 and \$6,100 on mitigation work, they would receive a maximum reimbursement of between 10 and 20 percent of their costs, assuming they could claim the maximum \$625 credit in Tax Years 2023 or 2024. If they mitigated additional land or the mitigation work was more expensive, the percentage reimbursed would be lower.

While the General Assembly did not intend for the credit and deduction to be used simultaneously, taxpayers in the wildland-urban interface could claim both the credit and the deduction in Tax Years 2023 and 2024 to the extent that they had enough state income tax liability and FTI no higher than \$120,000, for both joint and single filers. We could not determine which taxpayers claimed both the deduction and the credit in Tax Year 2023; however, the credit and the deduction could provide a maximum combined benefit of \$680 for a project costing \$2,500 or \$735 for a project costing \$5,000.

The General Assembly enacted changes to the credit that will increase the number of eligible taxpayers and the amount they can receive. The General Assembly passed House Bill

26-1289, which starting in Tax Year 2027 expands access to the credit for lower income taxpayers by making the credit refundable, which could increase the average credit claimed. Additionally, the bill increased the income limitation to \$300,000 Federal AGI and, therefore, will expand access to the credit for middle- and higher-income households. As discussed previously, middle- and higher-income taxpayers are more likely to be able to afford wildfire mitigation costs, but may have been unable to claim the credit in Tax Year 2023 due to having an FTI above the \$120,000 income limitation, whereas the deduction had no income limitation for eligibility. This change could likely result in a larger impact to state revenue by expanding eligibility among middle- and higher-income taxpayers that are more likely able to afford the necessary wildfire mitigation costs required to claim the credit.

The Department's most recent data is for Tax Year 2023, and therefore, we cannot evaluate the impact of changes to the credit. However, exhibit 6 shows the potential tax benefit from the changes for two hypothetical projects—one costing \$2,500 and another costing \$5,000.

Exhibit 6
Amount Reimbursed by the Credit, Tax Years 2023-2030

Project Cost	\$2,500 Project	\$5,000 Project
Tax Years 2023-2024 Maximum Credit: 25 percent of costs up to \$2,500. Limitations: Limited by actual CO income tax; the credit is nonrefundable and cannot be carried forward.	Project Cost: \$2,500 Maximum Credit: \$625 Percentage of Cost Reimbursed by Credit: 25 percent	Project Cost: \$5,000 Maximum Credit: \$625 Percentage of Cost Reimbursed by Credit: 12.5 percent
Tax Years 2025-2026 Maximum Credit: 100 percent of costs up to \$1,000. Limitations: Limited by actual CO income tax liability; the credit is nonrefundable and cannot be carried forward.	Project Cost: \$2,500 Maximum Credit: \$1,000 Percentage of Cost Reimbursed by Credit: 40 percent	Project Cost: \$5,000 Maximum Credit: \$1,000 Percentage of Cost Reimbursed by Credit: 20 percent
Tax Years 2027-2030 Maximum Credit: 100 percent of costs up to \$2,000 Limitations: Not limited by actual CO income tax; the credit is refundable.	Project Cost: \$2,500 Maximum Credit: \$2,000 Percentage of Cost Reimbursed by Credit: 80 percent	Project Cost: \$5,000 Maximum Credit: \$2,000 Percentage of Cost Reimbursed by Credit: 40 percent

Source: Colorado Office of the State Auditor analysis of House Bill 26-1289 and statute [Section 39-22-543, C.R.S.].

Colorado's broader investments in community wildfire mitigation likely provide greater benefits than the credit because they support larger, coordinated projects and can more directly reduce landowner costs. Unlike the credit, which reimburses individual taxpayers for individual property mitigation work, community-scale programs can fund multi-year projects, multi-property mitigation, defensible space cost shares, home assessments, equipment, staffing, and

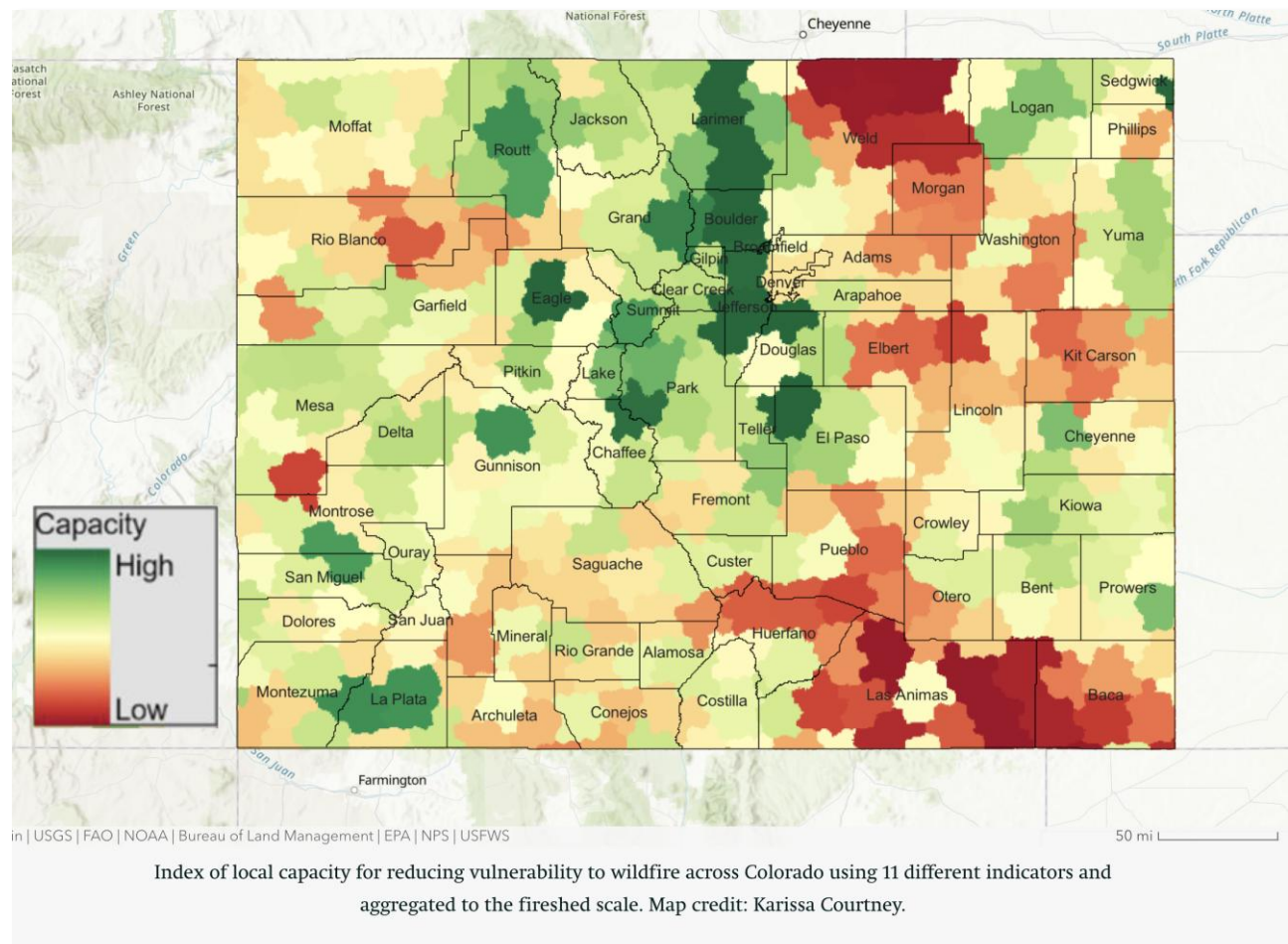
technical assistance. These programs may also reach landowners who lack the upfront resources or tax liability needed to benefit from the credit. However, demand for these programs consistently exceeds available funding, and some communities lack the administrative capacity, matching funds, or contractor availability needed to fully access or implement mitigation programs.

Many landowner-focused mitigation efforts are locally implemented by fire protection districts, counties, nonprofits, and other partners that are funded through state and federal grants awarded to those local entities. As a result, the availability of direct landowner assistance varies significantly by community. Many grant programs require matching funds, which may come from local taxes, private funding, or homeowner and community cost-share structures. Across the eight wildfire mitigation programs we reviewed, funding data shows substantial demand for mitigation assistance, as well as recurring funding gaps. For example, since the Forest Restoration and Wildfire Risk Mitigation Grant Program was created in 2017, the State Forest Service has awarded more than \$51 million for 312 projects, while it has received \$127.8 million in requests for 711 projects. Similarly, one-time programs such as the Wildfire Resilient Homes Grant Program, Incentives for Local Government Grant Program, Rural Grant Navigator Grant Program, and Wildfire Mitigation Outreach Grant Program all received funding requests that exceeded available resources.

According to DNR and the State Forest Service, the capacities of local fire departments to encourage and monitor private landowners' wildfire mitigation activities range across a broad spectrum. Paid fire departments generally have the greatest capacity to encourage and monitor private landowners' wildfire mitigation activities. According to a Colorado State University 2025 Study, 'Mapping Community Capacity to Reduce Vulnerability to Wildfire in Colorado', there is a mismatch between wildfire risk and mitigation resources across Colorado, with some areas of the state at high risk for fire but low on resources. The study noted that Colorado is characterized by a "variety of landownership and socioeconomic conditions that also factor into the complexity of capacity to do wildfire mitigation work." Exhibit 7 shows the areas in the state with higher and lower wildfire mitigation capacity.

Exhibit 7

Local Capacity to Conduct Wildfire Mitigation



Source: Courtney, K., Holm, F., Brousseau, J. et al. Mapping Community Capacity to Reduce Vulnerability to Wildfire in Colorado, USA. *For. Sci.* 71, 821–840 (2025).

Overall, community-based programs appear to provide more direct and coordinated support for wildfire mitigation than the credit, particularly where local partners have the capacity to apply for and administer grants. However, funding limitations, match requirements, local administrative capacity, project timing deadlines, and workforce constraints limit the extent to which these programs can meet statewide mitigation needs. The credit can help in situations where grants are not available, and the credit may also help close the gap for private landowners where cost-share programs are available at the local level because these programs do not cover 100 percent of costs.

Policy Consideration

As noted, during our evaluation of the credit, the General Assembly passed House Bill 26-1289, which made the credit refundable, increased the amount of the credit, and increased the income limitation starting in Tax Year 2027. These changes will likely increase the effectiveness of the credit by addressing some of the utilization and benefit amount issues noted in the evaluation results. Additionally, while we identified low awareness among stakeholders and potential beneficiaries, the State Forest Service reported that it plans to include more information about the credit on its website in the future. We expect these changes will likely improve the effectiveness of the credit in future years. As a result, we do not have a policy consideration related to these issues.

We did identify one area that the General Assembly could consider in order to align the credit with current wildfire resiliency standards. Specifically, the General Assembly may want to allow home hardening activities to be an eligible expense. Research shows that combining home hardening activities with defensible space is the most effective way to increase the chance of a structure surviving a wildfire. Home hardening activities (e.g., metal roof) ensure that if flying embers land on or near a property, the structure itself is less likely to ignite. Defensible space creates a buffer zone that slows the spread of a wildfire, lowers the intensity of radiant heat, and keeps direct flames away from the structure. According to the Department of Revenue, home hardening activities do not currently qualify for the credit because these activities are not mentioned in statute. Rather, the credit is available to reimburse private landowners for wildfire mitigation activities in the defensible space surrounding structures (e.g., thinning or removing woody fuels). Statute requires that wildfire mitigation activities adhere to standards set by the State Forest Service or any other applicable state rules. According to DNR and the State Forest Service, home hardening activities and defensible space projects work together to reduce the impacts of wildfires and, in some cases may overlap, such as installing concrete or rock around a structure. The State Forest Service provides guidance to homeowners interested in reducing their home's wildfire risk in the form of the Home Ignition Zone guide, which focuses on reducing structural ignitability and improving the quality of surrounding defensible space. Some survey respondents raised the issue of home hardening activities not being eligible for the credit and emphasized the need for funding. Although the General Assembly has previously introduced bills to create separate funding for home hardening activities, the bills have not passed or provided limited funds for this purpose.

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