

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron L. Preston Bryant, Jr.

2. Bill Number HB 1185

3. Committee Senate Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. Title Land Preservation Tax Credit

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. Summary/Purpose:

This bill would authorize a pass-through entity that allocates or transfers Land Preservation Tax Credits among taxpayers to designate a general partner, member, or shareholder as the person that the Tax Commissioner would be required to first contact for the collection of taxes in the event any portion of the credit is disallowed in the future.

The effective date of this bill is not specified

6. Fiscal Impact Estimates are: None. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

The Department would incur minimal administrative costs to implement this bill. This bill would have no impact on General Fund revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

Land Preservation Tax Credit

Individuals and corporations can claim an income tax credit equal to 50% of the fair market value for donations of real property and interests in real property located in Virginia to governmental and nonprofit organizations whose purpose is to conserve natural resources, save land, and preserve historical sites. The types of property that would qualify for this credit include conservation easements, any partial interest, mineral right, remainder or future interest, or other interest or right in real property as defined

under the Internal Revenue Code. Any conveyance of real property under this credit must be permanent and irrevocable.

The maximum credit a taxpayer can claim in any taxable year is limited to the lesser of the total income tax imposed or \$100,000. The amount of credit earned in excess of tax imposed or annual limit can be carried forward to the five succeeding taxable years. In addition, a taxpayer that earns Land Preservation Tax Credit may transfer the credit to another corporate or individual taxpayer.

Proposed Legislation

Under this bill, a pass-through entity that allocates or transfers Land Preservation Tax Credits among taxpayers would be permitted to designate a general partner, member, or shareholder as primarily responsible for a tax liability resulting from the disallowance of any portion of the credit in the future. If the designated person fails to satisfy the liability, the Department would proceed with collection actions against the persons claiming the credit.

Other Legislation

Senate Bill 678 would establish a \$50,000 annual limitation on the amount of Land Preservation Tax Credits that could be claimed by an entity that obtained the credit through a transfer. The bill would also prohibit the transfer of the credit unless the holder of the credit is a sole proprietor or at least a 50% owner of a working farm.

cc : Secretary of Finance

Date: 2/16/2004 dtm