

**DEPARTMENT OF TAXATION  
2005 Fiscal Impact Statement**

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| <b>1. Patron</b> Joseph P. Johnson, Jr.                   | <b>2. Bill Number</b> <u>HB 2788</u>   |
| <b>3. Committee</b>                                       | <b>House of Origin:</b><br><u>  X  </u> <b>Introduced</b><br><u>     </u> <b>Substitute</b><br><u>     </u> <b>Engrossed</b> |
| <b>4. Title</b> Virginia Land Conservation Incentives Act | <b>Second House:</b><br><u>     </u> <b>In Committee</b><br><u>     </u> <b>Substitute</b><br><u>     </u> <b>Enrolled</b>   |

**5. Summary/Purpose:**

This bill would permit a taxpayer that earns the Land Preservation Tax Credit for land donated on or after January 1, 2000, to transfer the credit to another corporate or individual taxpayer.

**6. Fiscal Impact Estimates are:** Not Available. (See Line 8.)

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

Administrative Impact

The Department would incur minimal costs to implement and administer this bill.

Revenue Impact

This bill would increase the number of taxpayers eligible to transfer Land Preservation Tax Credits. Credits earned for the 2000 taxable year totaled \$17.5 million, while credits claimed were \$2.2 million. For the 2001 taxable year, credits earned totaled \$7.4 million, and credits claimed were \$3.5 million. This means there could be approximately \$19.2 million additional unused credits available for transfer. The General Fund revenue losses associated with this bill are unknown, but could be substantial.

**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 the Land Preservation Tax Credit for land donated on or after January 1, 2002, may transfer the credit to another corporate or individual taxpayer.

### Proposed Legislation

This bill would revise the effective date under the Virginia Land Conservation Incentives Act of 1999 so that taxpayer would be able to transfer earned but unused credits for qualified donations made on or after January 1, 2000.

### Other Legislation

**Senate Bill 1139** would limit the Land Preservation Tax Credit that a taxpayer could claim to a total of \$600,000 for all contiguous parcels of land. The limitation would be precluded from applying to certain conveyances for which appraisal services have been contracted for prior to March 1, 2004.

cc : Secretary of Finance

Date: 1/30/2005 dtm  
HB2788F161