

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** Emmett W. Hanger, Jr.

3. **Committee** Senate Finance

4. **Title** Virginia Land Conservation Incentives Act

2. **Bill Number** SB 1139

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

The bill 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 not apply to certain conveyances for which appraisal services have been contracted for prior to March 1, 2004.

The bill would be effective for taxable years beginning on or after January 1, 2005.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2004-05	\$0	GF
2005-06	\$13.5 million	GF
2006-07	unknown	GF
2007-08	unknown	GF
2008-09	unknown	GF
2009-10	unknown	GF
2010-11	unknown	GF

7. **Budget amendment necessary:** Yes
ITEM(S): Line 1, General Fund Revenue

8. **Fiscal implications:**

The Department would incur minimal administrative costs to implement this bill.

For the 2002 taxable year, \$5 million in credits were claimed. Credits claimed on individual income tax returns increased to \$29.9 million for the 2003 taxable year. Analysis of the credits claimed in taxable year 2003 indicates a \$600,000 limitation would have reduced the credits claimed by \$13.5 million. Accordingly, it is estimated that this bill would increase General Fund revenue by \$13.5 million for fiscal year 2006. The impact of this bill after FY 2006 is unknown, however, the inventory of earned, but as yet unclaimed

credits, indicates that the revenue increase that would result from enactment of this bill may exceed \$13.5 million.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

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

Under this bill, the maximum annual amount that could be claimed by a taxpayer would be \$600,000 for all conveyances of contiguous parcels owned by the taxpayer within the 20 years prior to the conveyance. This limitation would not apply to any conveyance of property containing a site or sites with a state or global rare ecosystem ranking as determined by the Virginia Division of Natural Heritage and for which the appraisal services have been contracted for to determine land preservation credits prior to March 1, 2004.

Other Legislation

House Bill 2788 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.

cc : Secretary of Finance

Date: 1/23/2005 dtm
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