

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** David L. Bulova

2. **Bill Number** HB 963

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Agricultural Best Management Tax Credit

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would add individuals who have horses to those taxpayers who may qualify for the agricultural best management practices tax credit.

This bill is effective for taxable years beginning on or after January 1, 2007.

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

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

**8. Fiscal implications:**

This bill would have a negative impact on the General Fund of an unknown magnitude. There is insufficient data to project accurately the revenue impact.

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

10. **Technical amendment necessary:** None.

## **11. Other comments:**

### **Current Law**

Currently, any individual engaged in agricultural production for market, who has in place a soil conservation plan approved by the local Soil and Water Conservation District shall be allowed a credit against individual income tax of an amount equaling 25% of the first \$70,000 expended for agricultural best management practices by the individual.

The soil conservation plan must include "best management agricultural practices" that are approved by the Virginia Soil and Water Conservation Board. Such practices include, but are not limited to: (i) livestock and poultry waste management; (ii) soil erosion control; (iii) nutrient and sediment filtration and detention; (iv) nutrient management; and (v) pest management and pesticide handling.

Upon approval of the conservation plan by the local Soil and Water Conservation District, the taxpayer implements the plan by constructing the necessary structures or installing the necessary equipment. The local Soil and Water Conservation Board certifies the practice as approved, completed, and eligible for the credit. The credit is claimed in the year the approved practice is completed.

The credit equals 25% of the first \$70,000 expended for best management agricultural practices, not to exceed \$17,500 and may be claimed in the year the practice is completed and certified. The credit is nonrefundable, however, the portion of the credit that exceeds the tax liability may be carried forward to the next five taxable years. The credit is based on expenditures made from the taxpayer's own funds. For example, expenditures incurred in implementing the soil conservation plan that are paid by funds received from a federal or state cost sharing program or grant are not eligible for this credit.

### **Proposal**

This bill would expand those individuals qualifying for the credit to include any individual who has horses that create needs for agricultural best management practices to reduce nonpoint source pollutants and has in place a soil conservation plan approved by the local Soil and Water Conservation District.

This bill is effective for taxable years beginning on or after January 1, 2007.

cc : Secretary of Finance

Date: 01/31/2006 PTR  
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