

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Leo C. Wardrup, Jr.

3. **Committee** House Finance

4. **Title** Income Tax; Land Preservation Tax Credit

2. **Bill Number** HB 2226

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would eliminate the annual inflation indexing requirement that would have increased the total amount of allowable land preservation tax credits from \$100 million beginning in calendar year 2008.

The effective date of this bill is not specified.

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	\$0	GF
2007-08	\$0	GF
2008-09	\$1.8 million	GF
2009-10	\$3.9 million	GF
2010-11	\$5.9 million	GF
2011-12	\$7.9 million	GF
2012-13	\$10.0 million	GF

7. **Budget amendment necessary:** Yes.

ITEM(S): Page 1, Revenue Estimates

8. **Fiscal implications:**

Administrative Costs

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.

Revenue Impact

The elimination of indexing for the cap on the amounts of land preservation credits that may be granted annually is expected to increase income tax revenue by \$1.8 million for FY 2009, by \$3.9 million for FY 2010, by \$5.9 million for FY 2011, by \$7.9 million for FY 2012, and by \$10.0 million for FY 2013.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

If the intent of this bill is to remove the annual inflation indexing of the \$100 million cap on allowable land preservation tax credits and not to remove the cap altogether after calendar year 2007, the following technical amendment is suggested:

Page 2, Line 111, after made in
Insert: and after

11. Other comments:

Current Law

Several changes were made to the land preservation tax credit during the 2006 Special Session. Among the changes that were made, a cap was placed on the amount of tax credits that may be issued during the calendar year by the Department of Taxation. The cap amount was set at \$100 million for calendar year 2007. Beginning in calendar year 2008, this amount is to be increased by an amount equal to \$100 million multiplied by the percentage by which the consumer price index for all-urban consumers published by the United States Department of Labor (CPI-U) for the 12-month period ending August 31 of the preceding year exceeds the CPI-U for the 12-month period ending August 31, 2006.

Proposal

This bill would eliminate the annual inflation indexing requirement that would have increased the total amount of allowable land preservation tax credits from \$100 million beginning in calendar year 2008.

Technical Amendment

As this bill is currently written, the \$100 million cap would be eliminated after calendar year 2007. Because TAX understands that it was the patron's intent to eliminate the inflation indexing of the cap but not the cap itself, a technical amendment has been suggested that would preserve the cap at \$100 million for the calendar years following 2007.

Similar Legislation

House Bill 2191 would eliminate the annual inflation indexing requirement, but would also require that the \$100 million cap be increased each calendar year by \$2.5 million in 2008 until it reaches \$112.5 million in 2012.

cc : Secretary of Finance

Date: 1/23/2007 AMS
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