

**DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement**

1. **Patron** Jill Holtzman Vogel

3. **Committee** Senate Finance

4. **Title** Land Preservation Tax Credit Cap Increase

2. **Bill Number** SB 1259

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the maximum amount of Land Preservation Tax Credits that may be issued in a calendar year to \$115 million.

Beginning in 2011, the \$115 million cap would be annually increased by the consumer price index for all-urban consumers published by the United States Department of Labor (CPI-U).

This bill would be effective beginning with calendar year 2010.

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

7. Budget amendment necessary: Yes. (See Line 8.)

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8. Fiscal implications:

Administrative 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.

Revenue Impact

This bill would decrease General Fund revenue by an unknown amount. Credits that have been issued may be claimed over time and can be carried forward for up to ten years. Therefore, the increase in the amount of credits available to be issued in a calendar year does not necessarily create an identical negative revenue impact.

It is estimated that this bill would increase the amount of Land Preservation Tax Credits **available to be issued** in a calendar year by \$5.24 million in 2010, \$5.36 million in 2011, \$5.48 million in 2012, \$5.61 million in 2013, \$5.74 million in 2014, and \$5.87 million in 2015. These amounts also represent the highest estimate for a possible revenue impact from this bill.

The forecasted amounts for the caps under current law and this proposal are:

Taxable Year	Current Law Cap	SB 1259 Proposed Cap	Difference
2009	\$107.40 million		N/A
2010	\$109.76 million	\$115.00 million	\$5.24 million
2011	\$112.29 million	\$117.65 million	\$5.36 million
2012	\$114.87 million	\$120.35 million	\$5.48 million
2013	\$117.51 million	\$123.12 million	\$5.61 million
2014	\$120.21 million	\$125.95 million	\$5.74 million
2015	\$122.98 million	\$128.85 million	\$5.87 million

Please note that the estimate for the credits available to be issued could change depending on the changes made to the consumer price index for all-urban consumers published by the United States Department of Labor (CPI-U).

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Conservation and Recreation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Land Preservation Tax Credit is currently equal to forty percent of the fair market value of land or interest in land located in Virginia which is conveyed for the purpose of agricultural and forestal use, open space, natural resource, and/or biodiversity conservation, or land, agricultural, watershed and/or historic preservation, as an unconditional donation by the taxpayer to a public or private conservation agency. For donations made prior to January 1, 2007, the percentage was fifty percent.

Beginning with calendar year 2007, the amount of Land Preservation Tax Credits that may be issued in any one year is subject to a cap. For 2007, the cap amount was \$100 million. Starting in calendar year 2008, the \$100 million cap will 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. For 2008, the cap is \$102,287,000.

Proposal

This bill would increase the Land Preservation Credit cap on donations made in a calendar year to \$115 million.

Beginning in 2011, the \$115 million cap would be annually increased by an amount equal to \$115 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, 2009.

This bill would be effective for calendar year 2010.

Similar Bills

House Bill 1891 and **Senate Bill 986** would reduce the amount of Land Preservation Credits that may be claimed on income tax returns from \$100,000 per taxpayer to \$50,000 per taxpayer effective for credits claimed for taxable years beginning on and after January 1, 2009, but before January 1, 2011. These bills would also extend the carryover period by two years for those affected by this limitation.

Senate Bill 838 would modify the Land Preservation Tax Credit so that, for any portion of a donation of land located in Virginia that is conveyed for the purposes of a public park or public recreational facility, the credit would be equal to sixty percent of the fair market value.

cc : Secretary of Finance

Date: 1/24/2009 JKL
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