

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Patricia S. Ticer

2. **Bill Number** SB 838

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

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

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill 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.

This modification would only apply if (i) a donation of a fee simple interest in land located in Virginia is conveyed to the Commonwealth, a locality, or a state or local governmental entity for the purpose of a public park or public recreational facility, (ii) the responsible authorities of a park authority or a local park agency or the Department of Conservation and Recreation, as applicable, execute a written document stating its acceptance of the fee simple interest donation, and (iii) the conveyance is in accordance with the current comprehensive plans of the counties or cities in which the conveyed land is located.

This bill would be applicable to conveyances of donations made on or after July 1, 2009.

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

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

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. TAX considers implementation of this bill as "routine," and does not require additional funding.

Revenue Impact

Because the amount of credit that may be issued in a calendar year is capped and credits are effectively limited by that cap, there will be no revenue impact from Senate Bill 838.

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 was \$102,287,000.

Proposal

This bill 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.

This modification would only apply if (i) a donation of a fee simple interest in land located in Virginia is conveyed to the Commonwealth, a locality, or a state or local governmental entity for the purpose of a public park or public recreational facility, (ii) the responsible authorities of a park authority or a local park agency or the Department of Conservation and Recreation, as applicable, execute a written document stating its acceptance of the fee simple interest donation, and (iii) the conveyance is in accordance with the current comprehensive plans of the counties or cities in which the conveyed land is located.

No credit would be allowed with respect to any subsequent conveyances by a governmental agency. In addition, park authorities would be added to the list of organizations eligible to receive qualified donations.

"Park authority" would be defined as any park authority subject to the Park Authorities Act (§ 15.2-5700 et seq.).

This bill would be applicable to conveyances of donations made on or after July 1, 2009.

Other Legislation

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.

cc : Secretary of Finance

Date: 2/9/2009 JKL
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