

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB979

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Whipple

3. Committee: Finance

4. Title: Land preservation tax credit; threshold for verification of conservation value.

5. Summary: This bill decreases from \$1.0 million to \$500,000 the tax credit threshold at which the conservation value of a donation is required to be verified by the Department of Conservation and Recreation. The bill contains an enactment clause that applies the \$500,000 threshold requirement to all applications for a tax credit for which the Department of Taxation has not issued a tax credit or otherwise approved for tax credit as of July 1, 2010.

6. Budget Amendment Necessary: Yes, Item 352.

7. Fiscal Impact Estimates: Preliminary.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011	\$0	0.00	n/a
2012	\$170,000	2.00	Nongeneral
2013	\$170,000	2.00	Nongeneral
2014	\$170,000	2.00	Nongeneral
2015	\$170,000	2.00	Nongeneral
2016	\$170,000	2.00	Nongeneral
2017	\$170,000	2.00	Nongeneral

8. Fiscal Implications: This bill requires that applications for a land preservation tax credit over \$500,000 must be reviewed by the Department of Conservation and Recreation (DCR). Currently, only applications for \$1.0 million or more require certification by DCR.

In 2007, DCR reviewed 70 applications for land preservation tax credits for donations valued at \$1.0 million or more. Applying a \$500,000 threshold to the same 2007 workload, DCR would have had to review 206 applications, nearly triple the amount. As such, it is anticipated that DCR would need additional staff to manage an increased workload resulting from this bill.

Currently, DCR has one position dedicated to reviewing land preservation tax credit applications. DCR reports that the salary and benefit costs for the current position are

approximately \$77,000, with an additional \$8,000 for non-payroll related costs (travel, training, telecommunications, computer, etc.), for a total position cost of approximately \$85,000 annually. The funding to support this position generated from revenue collected for fees associated with the tax credit, and amounts are transferred from the Department of Taxation (TAX) as required to support the costs associated with DCR's review work. As such, it is assumed that the costs of supporting two additional positions would qualify for use of the fees collected for the tax credit. The estimated cost for these positions, based on current expenditures, is approximately \$170,000.

Assuming these fees will increase as a result of legislation in 2010 that removed the \$10,000 cap on the two percent fee paid by credit applicants, the increased costs as a result of this bill could be paid using this fee and additional funding would not be necessary. However, DCR would need a nongeneral fund appropriation to allow expenditure of fee revenue transferred from TAX.

Any additional responsibilities on TAX as a result of this bill can be implemented as part of annual changes to systems and forms, and therefore any costs associated can be absorbed within current resources.

9. Specific Agency or Political Subdivisions Affected: Department of Conservation and Recreation, Department of Taxation.

10. Technical Amendment Necessary: No.

11. Other Comments: According to TAX, the following bills are similar in nature:

- **HB1445** limits the total amount of Land Preservation Tax Credits issued to any taxpayer to \$10 million annually.
- **HB1820** limits the annual Land Preservation Tax Credit cap to \$100 million plus any disallowed credits and would allow TAX to require a second appraisal from a different appraiser to substantiate the fair market value of any donation of land.
- **HB2263** includes waterfront land used for commercial fisheries as property eligible for the land preservation tax credit.
- **SB1087** requires the use of a licensed transfer agent to transfer a land preservation tax credit to a taxpayer who is not an individual.
- **SB1088** allows a donor of land or any interest in land to request a refund of unused land preservation tax credits with the Tax Commissioner for 90 percent of the face value of the credits.
- **SB1153** provides that a land preservation tax credit shall not be reduced by the amount of unused credit that could have been claimed in a prior year by the taxpayer but was unclaimed.

- **SB1232** requires the use of a licensed transfer agent to transfer a land preservation tax credit to a taxpayer who is not an individual and would allow TAX to require a second appraisal from a different appraiser to substantiate the fair market value of any donation of land.

Date: January 18, 2011

c: Secretary of Natural Resources
Secretary of Finance