

**DEPARTMENT OF TAXATION  
2015 Fiscal Impact Statement**

1. **Patron** John C. Watkins

3. **Committee** House Finance

4. **Title** Subtraction for Sale or Exchange of Real  
Property or an Easement for Open-Space  
Use; Sunset Date

2. **Bill Number** SB 1012

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

**5. Summary/Purpose:**

This bill would eliminate the individual and corporation income tax subtraction for the sale or exchange of real property or an easement for open-space use, effective for taxable years beginning on or after January 1, 2015.

**This is a Secretary of Finance bill.**

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (See Line 8.)

**8. Fiscal implications:**

Administrative Cost

The Department of Taxation considers implementation of this bill as routine, and is not requesting additional funding.

Revenue Impact

This bill would have a positive General Fund revenue impact of \$0.5 million in FY 2016, and \$0.4 million in FY 2017, FY 2018, FY 2019, FY 2020, and FY 2021. Because the Introduced Executive Budget includes the elimination of the individual and corporation income tax subtraction for the sale or exchange of real property or an easement for open-space use, this bill would not require a budget amendment.

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

Department of Taxation

10. **Technical amendment necessary:** No.

## 11. Other comments:

### Current Law

Virginia allows an individual and corporation income tax subtraction for the gain derived from the sale or exchange of real property or an easement to real property that results in the real property or the easement being devoted to open-space use for a period of at least 30 years. "Open-space use" means used as, or preserved for:

- Park or recreational purposes, including public or private golf courses;
- Conservation of land or other natural resources;
- Floodways;
- Wetlands;
- Riparian buffers;
- Historic or scenic purposes; or
- Assisting in the shaping of the character, direction and timing of community development, or for the public interest, and consistent with the local land-use plan under uniform standards prescribed by the Director of the Department of Conservation and Recreation.

A taxpayer that claims the subtraction for the sale or exchange of real property or an easement for open-space use may not claim the Land Preservation Tax Credit for such property or easement for three years following the year in which the subtraction is taken.

In 2011, the Joint Legislative Audit and Review Commission ("JLARC") reviewed the effectiveness of Virginia's tax preferences. According to JLARC's review, the subtraction for the sale or exchange of real property or an easement for open-space use is underutilized.

### Proposed Legislation

This bill would eliminate the individual and corporation income tax subtraction for the sale or exchange of real property or an easement for open-space use, effective for taxable years beginning on or after January 1, 2015.

cc : Secretary of Finance

Date: 2/10/2015 MTH  
SB1012F161