

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** C. Matthew Fariss

2. **Bill Number** HB 1816

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Land Preservation Tax Credits; Extends the
Deadline for Filing Credit Application

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would extend the amount of time that taxpayers have to submit applications for Land Preservation Tax Credits. The application deadline under current law is December 31 of the first year following the calendar year of a conveyance. For a conveyance made before January 1, 2020, this bill would extend the application deadline to December 31 of the third year following the calendar year of a conveyance. For a conveyance made on or after January 1, 2020, this bill would extend the application deadline to December 31 of the second year following the calendar year of a conveyance.

If enacted during the 2019 Regular Session of the General Assembly, this bill would become effective July 1, 2019.

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

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Conservation and Recreation ("DCR") and the Department of Taxation ("the Department") consider implementation of this bill as routine, and do not require additional funding.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2020. According to the Department's Annual Report, 3,371 taxpayers claimed \$53.6 million in Land Preservation Tax Credits in Fiscal Year 2017. This bill would have a negative revenue impact to the extent that more taxpayers utilize the extended deadline for submitting credit applications. However, it is uncertain how many credits would be claimed using the extended application deadline.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Conservation and Recreation

10. Technical amendment necessary: No.

11. Other comments:

Land Preservation Tax Credit

The Land Preservation Tax Credit is equal to forty percent of the fair market value of land or an 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. Taxpayers may claim the credit against the individual income tax and the corporate income tax. The amount of credits that may be claimed by each taxpayer per taxable year is limited to \$20,000 for Taxable Year 2017, and \$50,000 for Taxable Year 2018 and thereafter. The credit is subject to an annual credit cap of \$75 million.

To qualify for the Land Preservation Tax Credit, a taxpayer is required to submit a credit application to the Department after completing the donation. Land Preservation Tax Credits are required to be issued in the order that each complete application is received. If a credit application requests a credit of \$1 million or more, or if the real property that is the subject of a donation of at least \$250,000 was partitioned from another parcel of land that received a tax credit within three years of the donation, then a copy of the application is also required to be filed with DCR.

During the 2015 Session, the General Assembly legislation requiring taxpayers making donations after July 1, 2015 to submit their credit applications by December 31 of the year following the calendar year of the conveyance. Under prior law, taxpayers were allowed to submit applications for conveyances made during prior taxable years at any time so long they did so within the applicable statute of limitations.

Proposed Legislation

This bill would extend the amount of time that taxpayers have to submit applications for Land Preservation Tax Credits. The application deadline under current law is December 31 of the first year following the calendar year of a conveyance. For a conveyance made before January 1, 2020, this bill would extend the application deadline to December 31 of the third year following the calendar year of a conveyance. For a conveyance made on or after January 1, 2020, this bill would extend the application deadline to December 31 of the second year following the calendar year of a conveyance.

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Similar Bills

House Bill 2482 would provide that a donation of land would not be disqualified for purposes of the Land Preservation Tax Credit if Virginia, a Virginia political subdivision, or certain third party contractors operate or manage a facility on such land.

cc : Secretary of Finance

Date: 2/17/2019 JJS
HB1816FER161