

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Richard H. Stuart
3. **Committee** Senate Finance and Appropriations
4. **Title** Land Preservation Tax Credit; Verification Requirements

2. **Bill Number** SB 604
- House of Origin:**  
  X   **Introduced**  
      **Substitute**  
      **Engrossed**
- Second House:**  
      **In Committee**  
      **Substitute**  
      **Enrolled**

**5. Summary/Purpose:**

This bill would reduce the threshold for requiring the Director of the Department of Conservation and Recreation ("DCR") to verify the conservation value of a donation from a donation that would result in \$1 million or more in credits to one that would result in \$500,000 or more in credits.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

**This is an Executive Bill.**

6. **Budget amendment necessary:** No.
7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

DCR currently receives \$350,000 for administration of the Land Preservation Tax Credit Program. By reducing the tax credit threshold for DCR review from \$1.0 million to \$500,000, DCR will require an additional position and \$133,400 in non-General Fund appropriation to support the position. Item 374 of the Introduced Executive Budget includes this appropriation and position.

The source of revenue for the Land Preservation Tax Credit Program is a two percent fee charged to any transfer of tax credits by a taxpayer. Existing law provides that 50 percent of the revenue generated from the fee shall be used by the Department of Taxation and the Department of Conservation and Recreation for administration, deposited into the Land Preservation Fund. However, the Appropriation Act requires an annual \$600,000 from the Land Preservation Fund to the General Fund. The remaining revenues are deposited to the Virginia Land Conservation Fund. To support the additional Non-General Fund appropriation for DCR required by this bill, the Executive Introduced Budget reduces this amount from \$600,000 to \$466,600.

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

## Revenue Impact

This bill would be expected to have a minimal impact on General Fund revenues. It is uncertain to what extent reducing the thresholds for requiring DCR to verify conservation values would have an impact on the amount of credits issued. To the extent this bill would have a revenue impact, the Department anticipates that it would be a positive revenue impact.

### **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 40 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.

After a taxpayer completes an eligible donation, they are required apply to the Department to receive an allocation of credits. If the application requests a credit of \$1 million or more, the taxpayer is also required to submit a credit application to DCR. In addition, no credit of \$1 million or more may be issued unless the conservation value of the donation has been verified by the Director of DCR, based on criteria adopted by the Virginia Land Conservation Foundation.

#### Proposed Legislation

This bill would reduce the threshold for requiring the Director of DCR to verify the conservation value of a donation from a donation that would result in \$1 million or more in credits to one that would result in \$500,000 or more in credits.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

**This is an Executive Bill.**

cc : Secretary of Finance

Date: 1/12/2020 JLOF  
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