

# DEPARTMENT OF TAXATION

## 2021 Fiscal Impact Statement

- |  |                                       |
|--|---------------------------------------|
| <b>1. Patron</b> Emmett W. Hanger, Jr.   | <b>2. Bill Number</b> <u>SB 1163</u>  |
|  | <b>House of Origin:</b>               |
|  | <u>          </u> <b>Introduced</b>   |
|  | <u>          </u> <b>Substitute</b>   |
|  | <u>          </u> <b>Engrossed</b>    |
| <b>3. Committee</b> Passed House and Senate  |                                       |
| <b>4. Title</b> Individual and Corporate Income Tax<br>Credits; Agricultural Equipment | <b>Second House:</b>                  |
|  | <u>          </u> <b>In Committee</b> |
|  | <u>          </u> <b>Substitute</b>   |
|  | <u>          </u> <b>Enrolled</b>     |

### 5. Summary/Purpose:

This bill would replace the nonrefundable Conservation Tillage Equipment Credit and the nonrefundable Pesticide and Fertilizer Application Equipment Tax Credit with one, new refundable credit for individuals and corporations. The credit established under this bill would be equal to 25 percent of all expenditures made for the purchase of equipment that reduces soil compaction such as a "no-till" planter, drill, or other equipment, or equipment that provides more precise pesticide and fertilizer application or injection. The maximum amount of the credit would be \$17,500 per taxable year. The credit would not be subject to an annual credit cap. The credit established by this bill would be subject to a sunset date of January 1, 2026.

This bill would be effective for taxable years beginning on and after January 1, 2021.

**This is a Secretary of Natural Resources bill.**

- 6. Budget amendment necessary:** No.
- 7. Fiscal Impact Estimates are:** Preliminary. (See Line 8.)
- 8. Fiscal implications:**

#### Administrative Costs

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

#### Revenue Impact

This bill would have a negative General Fund revenue impact of no more than \$1.3 million in Fiscal Year 2022 and each fiscal year thereafter. Because this revenue impact is

assumed in the Introduced Executive Budget, no budget amendment is necessary to account for this bill.

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

Department of Taxation  
Department of Conservation and Recreation

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

**11. Other comments:**

Conservation Tillage Equipment Credit

An individual or corporation may claim a nonrefundable income tax credit equal to 25 percent of all expenditures for the purchase and installation of the certain conservation tillage equipment. The maximum amount of credit allowed per taxable year is \$4,000. If the amount of such credit exceeds the taxpayer's tax liability for the taxable year of purchase, unused amounts of the credit may be carried forward for up to five taxable years. To be eligible, the conservation tillage equipment used in agricultural production by the purchaser.

"Conservation tillage equipment" is defined as a planter, drill, or other equipment used to reduce soil compaction commonly known as a "no-till" planter, drill, or other equipment used to reduce soil compaction including guidance systems to control traffic patterns that are designed to minimize disturbance of the soil in planting crops, including such planters, drills, or other equipment designed to reduce soil compaction which may be attached to equipment already owned by the taxpayer.

Pesticide and Fertilizer Application Equipment Tax Credit

An individual or corporation can claim a nonrefundable income tax credit equal to 25 percent of all expenditures made for the purchase of equipment that provide more precise pesticide and fertilizer application. The maximum amount of credit allowed per taxable year is \$3,750. If the amount of such credit exceeds the taxpayer's tax liability for the taxable year of purchase, unused amounts of the credit may be carried forward for up to five taxable years. To be eligible for the credit, the individual or corporation must be engaged in agricultural production for market and have in place a nutrient management plan approved by the local Soil and Water Conservation District by the taxpayer's required tax return filing date.

Proposed Legislation

This bill would replace the nonrefundable Conservation Tillage Equipment Credit and the nonrefundable Pesticide and Fertilizer Application Equipment Tax Credit with one, new refundable credit for individuals and corporations. The credit established under this bill would be equal to 25 percent of all expenditures made for the purchase of equipment that either:

- Reduces soil compaction such as a "no-till" planter, drill, or other equipment, or
- Provides more precise pesticide and fertilizer application or injection.

The maximum amount of the credit would be \$17,500 per taxable year. The credit would not be subject to an annual credit cap.

Unlike the Conservation Tillage Equipment Credit and the Pesticide and Fertilizer Application Equipment Tax Credit, the credit established under this bill would be refundable. As a result, if the amount of the credit established under this bill exceeds the taxpayer's liability for any taxable year, the excess may be refunded by the Tax Commissioner. Tax credits would be refunded by the Tax Commissioner on behalf of the Commonwealth for 100 percent of face value. Tax credits would be required to be refunded within 90 days after the filing date of the income tax return on which the individual applies for the refund.

To be eligible under this bill, the taxpayer would be required to be engaged in agricultural production for market, have in place a soil conservation plan approved by the local soil and water conservation district and be implementing a nutrient management plan developed by a certified nutrient management planner.

This bill would be effective for taxable years beginning on and after January 1, 2021. The credit established by this bill would be subject to a sunset date of January 1, 2026.

**This is a Secretary of Natural Resources bill.**

#### Similar Bills

**House Bill 1763** and **Senate Bill 1162** would provide an enhanced Agricultural Best Management Practices Tax Credit for certain taxpayers with an approved resource management plan.

cc : Secretary of Finance

Date: 3/1/2021 JJS  
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