

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** John C. Watkins

2. **Bill Number** SB 233

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** House Finance

4. **Title** Land Preservation Tax Credit; Reduction in
Amount Claimed Per Year

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the \$50,000 limitation on the amount of Land Preservation Tax Credits that may be claimed on income tax returns through Taxable Year 2011. Currently, the law limits the annual amount of credit that may be claimed to \$50,000 for taxable years 2009 and 2010 only. This bill would also extend the carryover period by one year for those affected by this limitation.

This bill would be effective for taxable years beginning on and after January 1, 2011.

6. **No Fiscal Impact.**

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

Revenue Impact

This bill would have no revenue impact in Fiscal Year 2012, as the introduced Executive Budget and revenue forecast assume that the \$50,000 limitation that is in place for Taxable Years 2009 and 2010 will be extended to Taxable Year 2011.

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 currently equal to forty percent of the fair market value of land or 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. For donations made prior to January 1, 2007, the percentage was fifty percent.

Beginning with calendar year 2007, the amount of Land Preservation Tax Credits that may be issued in any one year is subject to a cap. For 2007, the cap amount was \$100 million. Starting in calendar year 2008, the \$100 million cap will be increased by an amount equal to \$100 million multiplied by the percentage by which the consumer price index for all-urban consumers published by the United States Department of Labor (CPI-U) for the 12-month period ending August 31 of the preceding year exceeds the CPI-U for the 12-month period ending August 31, 2006. For 2009, the cap was \$106,647,000.

For Taxable Years 2009 and 2010, the amount of Land Preservation Credits that may be claimed on income tax returns was reduced from \$100,000 per taxpayer to \$50,000 per taxpayer. The carryover period is extended by two years for those affected by the limitation.

Proposal

This bill would extend the \$50,000 limitation on the amount of Land Preservation Tax Credits that may be claimed on income tax returns through Taxable Year 2011. This bill would also extend the carryover period by one year for those affected by this limitation.

This bill would be effective for taxable years beginning on and after January 1, 2011.

Similar Bills

House Bill 141 would modify the Land Preservation Tax Credit's restriction preventing certain charitable organizations from qualifying for the credit to clarify that conservation easements must be acquired pursuant to the authority conferred on a "holder" as defined by law in order to prevent the organization from qualifying for the credit.

House Bill 447 and **Senate Bill 264** would remove the \$10,000 cap on the 2 percent fee imposed on the transfer arising from the sale of Land Preservation Tax Credits and provide for distribution of the revenue to various entities.

Senate Bill 341 would require the Department of Conservation and Recreation to provide an estimate of the number of acres of land currently being used for "production agriculture and silviculture" when creating its annual report on less-than-fee interests qualifying for the Land Preservation Tax Credit.

Senate Bill 661 would require certain taxpayers whose application for the Land Preservation Tax Credit involves a donation of land or interest in land to have the conservation value of the donation verified by the Department of Conservation and Recreation if such application would result in a credit of \$250,000 or more.

cc : Secretary of Finance

Date: 2/22/2010 JKM
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