

DEPARTMENT OF TAXATION

2019 Fiscal Impact Statement

1. **Patron** Richard H. Stuart

3. **Committee** Senate Finance

4. **Title** Land Preservation Tax Credit; Amend the
Application and Conservation Value Review
Requirements

2. **Bill Number** SB 1340

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would reduce the threshold requiring a taxpayer to submit a Land Preservation Tax Credit application to the Department of Conservation and Recreation ("DCR") from a credit request of \$1 million or more to a credit request of \$500,000 or more. This bill would also reduce the threshold 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 \$500,000 or more in credits.

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

This is a Department of Conservation and Recreation bill.

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

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

8. **Fiscal implications:**

Administrative Costs

Currently, DCR 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 363 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, 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 review Land Preservation Tax Credit applications and conservation values would have 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 Conservation and Recreation
Department of Taxation

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 in the amount 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 requiring a taxpayer to submit a Land Preservation Tax Credit application to the Department of Conservation and Recreation (“DCR”) from a credit request of \$1 million or more to a credit request of \$500,000 or more. This bill would also reduce the threshold 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 \$500,000 or more in credits.

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Similar Legislation

House Bill 1816 would extend by one year the amount of time that taxpayers have to submit applications for Land Preservation Tax Credits.

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: 1/15/2019 JLOF
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