

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Michael A. Cherry

3. **Committee** House Finance

4. **Title** Land Preservation Tax Credits

2. **Bill Number** HB 1834

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the deadline for filing a complete application for the land preservation tax credit for conveyances made on or after January 1, 2017. The deadline would be extended for any number of days exceeding 90 during which the application is being reviewed for verification of conservation value by the Department of Conservation and Recreation (“DCR”), provided that such application is otherwise complete at the time of the original filing deadline.

If enacted during the 2023 Regular Session of the General Assembly, this bill would be effective on July 1, 2023.

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

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) and DCR consider implementation of this bill as routine and do not require additional funding.

Revenue Impact

This bill could have a minimal negative General Fund revenue impact beginning in Fiscal Year 2024. This bill would provide that if a verification of conservation value is being performed by DCR and such verification takes more than 90 days, the applicable deadlines to submit an application for tax credit to the Department would be extended for any number of days during which such verification is pending, provided the application was otherwise complete at the time of the original filing deadline. Because a limited number of taxpayers are expected to be impacted by this bill, the impact is expected to be minimal.

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

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 forestall 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.

For most taxpayers, any unused amount of the land preservation tax credit may be carried forward for up to 10 years. Furthermore, any unused portion of this credit is transferable to someone else to claim on their Virginia income tax return.

Proposed Legislation

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cc : Secretary of Finance

Date: 1/15/2023 JLOF
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