

# DEPARTMENT OF TAXATION

## 2024 Fiscal Impact Statement

1. **Patron** Tony O. Wilt

2. **Bill Number** HB 1015

3. **Committee** House Finance

**House of Origin:**  
  X   **Introduced**  
      **Substitute**  
      **Engrossed**

4. **Title** Individual and Corporate Income Tax;  
Agricultural Best Management Practices Tax  
Credit & Conservation Tillage and Precision  
Agriculture Application Equipment Tax Credit

**Second House:**  
      **In Committee**  
      **Substitute**  
      **Enrolled**

### 5. **Summary/Purpose:**

This bill would extend the sunset dates for the Agricultural Best Management Tax Credit and Conservation Tillage and Precision Agriculture Application Equipment Tax Credit from January 1, 2025 and January 1, 2026 respectively to January 1, 2030.

If enacted during the 2024 Regular Session, this bill would be effective on July 1, 2024.

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

7. **No Fiscal Impact** (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 no General Fund revenue impact. Because extending the sunset dates of both credits, i.e., the Agricultural Best Management Practices Tax Credit and the Conservation Tillage and Precision Agriculture Application Equipment Credit, is assumed in the Official General Fund revenue forecast, no budget amendment is needed.

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

Department of Taxation  
Department of Conservation and Recreation

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

## 11. Other comments:

### *Agricultural Best Management Practices Tax Credit*

The Agricultural Best Management Practices Tax Credit supports the voluntary installation of agricultural best management practices that meet Virginia's nonpoint source pollution water quality objectives.

In 2021, the General Assembly (Special Session I, Chapters 39 and 40) amended Virginia's Agricultural Best Management Practices Tax Credit to increase the amount that may be claimed and to provide an enhanced Agricultural Best Management Practices Tax Credit for certain taxpayers with an approved resource management plan.

The amount of the enhanced credit is 50 percent of the first \$100,000 expended for agricultural best management practices. To be eligible for the enhanced credit, the taxpayer is required to (1) either be engaged in agricultural production for market, or have equines that create needs for agricultural best management practices to reduce nonpoint source pollutants; and (2) have in place a resource management plan approved by the local soil and water conservation district. The enhanced credit is allowed only for agricultural best management practices implemented on an acreage included in the resource management plan.

Certain taxpayers with approved soil conservation plans are permitted to claim the existing Agricultural Best Management Practices Tax Credit. The maximum amount of such credit is increased from 25 percent of the first \$70,000 expended for agricultural best management practices to 25 percent of the first \$100,000 of such expenditures.

The program provides that the aggregate amount of the Agricultural Best Management Practices Tax Credit and the new enhanced Agricultural Best Management Practices Tax Credit claimed by a taxpayer cannot exceed \$75,000 per taxable year.

In addition, there is an annual credit cap of \$2 million per fiscal year applicable in aggregate to both the existing credit and the new enhanced credit. Taxpayers are prohibited from claiming tax credits for the same practice in the same management area under both the existing credit and the enhanced credit.

"Agricultural best management practice" is defined as a practice approved by the Virginia Soil and Water Conservation Board which will provide a significant improvement to water quality in the state's streams and rivers and the Chesapeake Bay and is consistent with other state and federal programs that address agricultural, nonpoint-source-pollution management. Virginia law provides that a detailed list of the standards and criteria for practices eligible for credit are to be found in the most recently approved "Virginia Agricultural BMP Manual" published annually prior to July 1 by the Department of Conservation and Recreation. Virginia law also sets forth a non-exhaustive list of eligible practices.

The credit is subject to a sunset date of January 1, 2025.

### *Conservation Tillage and Precision Agricultural Application Equipment Tax Credit*

In 2021, Special Session I, Chapter 272 eliminated the nonrefundable Conservation Tillage Equipment and Pesticide and Fertilizer Application Equipment Tax Credits and replaced them

with one, new refundable credit (Conservation Tillage and Precision Agricultural Application Equipment Tax Credit) for individuals and corporations.

The credit is 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.

To be eligible for the new credit, a taxpayer must 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. The maximum amount of the credit is \$17,500 per taxable year.

The credit is subject to a sunset date of January 1, 2026.

### Proposed Legislation

This bill would extend the sunset dates for the Agricultural Best Management Tax Credit and Conservation Tillage and Precision Agriculture Application Equipment Tax Credit from January 1, 2025 and January 1, 2026 respectively to January 1, 2030.

If enacted during the 2024 Regular Session, this bill would be effective on July 1, 2024.

### Similar Bills

**SB 297** is substantially similar to this bill, but it would extend the sunset date of the Agricultural Best Management Tax Credit only.

cc : Secretary of Finance

Date: 1/29/2024 SJH  
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