

DEPARTMENT OF TAXATION

2024 Fiscal Impact Statement

1. **Patron** Marcus B. Simon

3. **Committee** House Agriculture, Chesapeake and
Natural Resources Committee

4. **Title** Land Preservation Tax Credit

2. **Bill Number** HB 152

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

For taxable years beginning on and after January 1, 2024, this bill would increase from \$1 million to \$1.5 million the threshold amount that triggers verification by the Department of Conservation and Recreation ("DCR") of the conservation value of a land donation for the Land Preservation Tax Credit.

This bill would exempt state agencies that hold conservation easements from the verification requirement unless the value of the credit claimed is greater than \$2 million.

This bill would also adjust these threshold amounts for inflation every ten years based on the Consumer Price Index.

If enacted during the 2024 regular session of the General Assembly, the provisions of this bill increasing the verification threshold would be effective for taxable years beginning on and after January 1, 2024, and the remaining provision exempting state agencies and indexing the threshold to inflation would be effective 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 DCR consider implementation of this bill as routine and do not require additional funding.

Revenue Impact

Because the Land Preservation Tax Credit is subject to a \$75 million annual credit cap and this cap has been met each year since 2019, this bill would have no revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Conservation and Recreation

10. Technical amendment necessary: Yes.

Because the phrase “in taxable years beginning” does not proceed “January 1, 2024,” it is unclear whether this law change is intended to apply on a taxable year basis. To clarify this issue, the following technical amendment is suggested:

Line 125 after “or more”
Insert: “in taxable years beginning”

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 currently limited to \$50,000. 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 another taxpayer to claim on their Virginia income tax return.

Proposed Legislation

For taxable years beginning on and after January 1, 2024, this bill would increase from \$1 million to \$1.5 million the threshold amount that triggers verification by the DCR of the conservation value of a land donation for the land preservation tax credit.

This bill would exempt state agencies that hold conservation easements from the verification requirement unless the value of the credit claimed is greater than \$2 million. Those agencies would include the Virginia Outdoors Foundation, the Department of

Forestry, the Department of Agriculture and Consumer Services, the Department of Historic Resources, and the Department of Wildlife Resources.

This bill would also adjust these threshold amounts for inflation every ten years based on the Consumer Price Index.

If enacted during the 2024 regular session of the General Assembly, the provisions of this bill increasing the verification threshold would be effective for taxable years beginning on and after January 1, 2024, and the remaining provision exempting state agencies and indexing the threshold to inflation would be effective July 1, 2024.

cc : Secretary of Finance

Date: 1/18/2024 JLOF
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