

SENATE BILL NO. _____ HOUSE BILL NO. _____

1 A BILL to amend and reenact § 58.1-513 of the Code of Virginia, relating to the Virginia Land
2 Conservation Incentives Act of 1999.

3 **Be it enacted by the General Assembly of Virginia:**

4 **1. That § 58.1-513 of the Code of Virginia is amended and reenacted as follows:**

5 § 58.1-513. Limitations; transfer of credit; gain or loss from tax credit.

6 A. Any taxpayer claiming a tax credit under this article shall not claim a credit under any similar
7 Virginia law for costs related to the same project. To the extent a credit is taken in accordance with this
8 article, no subtraction allowed for the gain on the sale of (i) land dedicated to open-space use or (ii) an
9 easement dedicated to open-space use under subsection C of § 58.1-322 shall be allowed for three years
10 following the year in which the credit is taken.

11 B. Any tax credits that arise under this article from the donation of land or an interest in land
12 made by a pass-through tax entity such as a trust, estate, partnership, limited liability company or
13 partnership, limited partnership, subchapter S corporation or other fiduciary shall be used either by such
14 entity if it is the taxpayer on behalf of such entity or by the member, manager, partner, shareholder or
15 beneficiary, as the case may be, in proportion to their interest in such entity in the event that income,
16 deductions and tax liability pass through such entity to such member, manager, partner, shareholder or
17 beneficiary or as set forth in the agreement of said entity. Such tax credits shall not be claimed by both
18 the entity and the member, manager, partner, shareholder or beneficiary for the same donation.

19 C. Any taxpayer holding a credit under this article may transfer unused but otherwise allowable
20 credit for use by another taxpayer on Virginia income tax returns. However, any organization described
21 under § 501 (c) of the U.S. Internal Revenue Code of 1986, as amended, shall not be allowed to transfer
22 any credit under this article. A taxpayer who transfers any amount of credit under this article shall file a
23 notification of such transfer to the Department in accordance with procedures and forms prescribed by
24 the Tax Commissioner.

D. To the extent included in and not otherwise subtracted from federal adjusted gross income pursuant to § 58.1-322 or federal taxable income pursuant to § 58.1-402, there shall be subtracted any amount of gain or income recognized by a taxpayer on the application of a tax credit under this article against a Virginia income tax liability.

E. The transfer of the credit and its application against a tax liability shall not create gain or loss for the transferor or the transferee of such credit.

F. A pass-through tax entity, such as a partnership, limited liability company or Subchapter S corporation, may appoint a tax matters representative, who shall be a general partner, member/manager or shareholder, and register that representative with the Tax Commissioner. The Tax Commissioner shall be entitled to deal with the tax matters representative as representative of the taxpayers to whom credits have been allocated or transferred by the entity under this article with respect to those credits. In the event a pass-through tax entity allocates or transfers tax credits arising under this article to its partners, members or shareholders and the allocated or transferred credits shall be disallowed, in whole or in part, such that an assessment of additional tax against a taxpayer shall be made, the Tax Commissioner shall first make written demand for payment of any additional tax, together with interest and penalties, from the tax matters representative. In the event such payment demand is not satisfied, the Tax Commissioner shall proceed to collection against the taxpayers in accordance with the provisions of Chapter 18 (§ 58.1-1800 et seq.) of this title.

2. That the provisions of this act shall be applicable to donations under the Virginia Land Conservation Incentives Act of 1999 (§ 58.1-510 et seq. of the Code of Virginia) that are made on or after July 1, 2006.

#