

Virginia's Land Preservation Tax Credit

- Virginia's land preservation tax credit was enacted in 1999.
 - The credit equals 50 percent of the fair market value of the donation of land for preservation purposes.
 - For conservation easements, the value of the donation is the loss in value from giving up development rights altogether or giving up the right to develop at a higher density.
 - No more than \$100,000 per taxpayer may be taken as tax credit in any one year, but unused credit may be carried forward for five additional years.
- Legislation passed in 2002 allows donors to transfer or sell the tax credit for consideration.
 - The legislation increased the amount of tax credit allowed to taxpayers, enabled taxpayers to recover the value of the credit faster, and made it easier for nonprofit organizations to participate in the credit.
- Donations under the program qualify for a federal income tax charitable deduction and a state income tax charitable deduction in addition to the state tax credit.
- There is some uncertainty as to the degree to which historic structures qualify for the credit.
- Both the General Assembly and the Governor have proposed changes to the credit program that would establish cost controls for the program and that would help to ensure that qualifying property meets conservation standards. These changes in HB 5019 and SB 5019 include:
 - An annual cap on the amount of tax credits that can be issued;
 - A reduction in the credit percentage from 50 percent to 40 percent;

- A ceiling of 25 percent of the total credit for improved or developed land included in a donation;
- Required approval by the Department of Conservation (DCR) and Recreation for high dollar value credits;
- Prohibiting land dedicated as open space in residential or commercial developments from qualifying for the credit;
- Requiring that existing zoning requirements, housing needs, existing roads, slopes, flood plains, and soil conditions factor into the fair market value determination;
- Limitations on donations made from the same parcel of land; and
- A new fee charged to any taxpayer transferring the tax credit.