

## PREFERENCE UPDATE

# LAND PRESERVATION TAX CREDIT

(INCOME TAX)

JUNE, 2016

JOINT SUBCOMMITTEE TO EVALUATE TAX PREFERENCES

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- PREFERENCE:

Article 20.1 (§ 58.1-510 et seq.) of Chapter 3 of Title 58.1 of the Code of Virginia

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- UPDATE:

After the Joint Subcommittee to Evaluate Tax Preferences reviewed the Land Preservation Tax Credit, the 2015 Session of the General Assembly enacted identical bills HB 1828 (Ware)<sup>1</sup> and SB 1019 (Watkins)<sup>2</sup> that made substantial changes to the tax credit program that went into effect July 1, 2015. This document provides a brief overview of the substantive changes adopted pursuant to that legislation.

Aggregate Cap: Beginning in calendar year 2015, the bills lower the total aggregate dollar amount of credits that may be issued in a calendar year from \$100 million to \$75 million.

Amount of Credit Claimed by Taxpayer: Beginning in calendar 2015, the bills lower the maximum amount of the credit that may be claimed by a taxpayer on his income tax return. Previously, the maximum amount that could be claimed per year was \$100,000, and any unused portion could be carried forward for 10 consecutive years. For taxable years 2015 and 2016, the bills limits the amount that may be claimed to \$20,000 each year, and any unused portion may be carried forward for 13 consecutive years. Beginning with taxable year 2017, a taxpayer may claim up to \$50,000 per year, and may carry forward any unused amount for 13 consecutive years.

Time of Application: The bills specify that for a conveyance made on or after July 1, 2015, a tax credit will only be allowed if a completed application is filed with the Department of Taxation by December 31 of the calendar year following the conveyance.

Unused credits: The bills prohibit the Department of Taxation from issuing a credit from a pool of tax credits attributable to a calendar year prior to the year in which the completed application was filed.

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<sup>1</sup> Chapter 235 of the Acts of Assembly of 2015.

<sup>2</sup> Chapter 680 of the Acts of Assembly of 2015.

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- **REVENUE IMPACT UPDATE:**

Because the changes adopted by HB 1828 and SB 1019 have only been in place for one tax year, the revenue impact of the changes cannot yet be fully analyzed, as only incomplete data is available at this time. The chart below updates the chart included in the November, 2014 preference report and reflects the amount of credits applied for, to date.

| <b>Tax Year</b> | <b># of Credits</b> | <b># of Acres</b> | <b>Credit Allocated</b> |
|-----------------|---------------------|-------------------|-------------------------|
| 2000-06         | 1,557               | 295,070           | \$ 736,837,981          |
| 2007            | 254                 | 59,327            | \$ 100,000,000          |
| 2008            | 224                 | 60,198            | \$ 102,287,081          |
| 2009            | 228                 | 63,409            | \$ 106,647,000          |
| 2010            | 146                 | 38,551            | \$ 106,845,000          |
| 2011            | 367                 | 75,025            | \$ 108,424,000          |
| 2012            | 228                 | 45,329            | \$ 64,090,780           |
| 2013            | 235                 | 65,093            | \$ 79,059,796           |
| 2014            | 136                 | 31,428            | \$ 45,087,843           |
| 2015            | 135                 | 34,910            | \$ 39,981,068           |
| 2016            | 31                  | 6,301             | \$ 15,444,980           |
| Grand Total     | 3,541               | 774,641           | \$ 1,504,705,529        |

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Preference Update Compiled by Staff from the  
Virginia Division of Legislative Services and the  
Virginia Department of Taxation